STATE OF CALIFORNIA

ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION

In the Matter of:	)	Docket No. 97-AFC-1
	)	
Application for Certification for the High Desert Power Project	)	
	)	

INFORMATIONAL HEARING

Victorville City Hall
Council Chambers
14343 Civic Drive
Victorville, California 92392

Thursday, January 15, 1998
10:00 a.m. to 1:10 p.m.

Reported and Transcribed by: Ramona Cota

A P P E A R A N C E S

Commissioners Present:

JANANNE SHARPLESS, Presiding Member

ROBERT A. LAURIE

Staff Present:

STANLEY W. VALKOSKY, Chief Hearing Officer

ROSELLA SHAPIRO, Advisor to Commissioner Sharpless

ROBERTA MENDONCA, Public Adviser

For the Staff of the Commission:

RICHARD K. BUELL, Siting Project Manager

ROBERT B. HAUSSLER, Manager, Energy Facilities Siting Office

CARYN J. HOUGH, Senior Staff Counsel

ROGER E. JOHNSON, Siting Project Manager

GINA MORTHOLÉ, Project Secretary

ROB SCHLICHTING, Information Officer

BOB THERKELSEN, Deputy Director

For the Applicant:

ALLAN J. THOMPSON, Law Office of Allan J. Thompson

SARA J. HEAD, QEP, ENSR

WM. BUCK JOHNS, High Desert Power Project LLC

DAN NEVAU, High Desert Power Project LLC

R.L. (RICK) WOLFINGER, High Desert Power Project LLC

ANDREW C. WELCH, P.E., High Desert Power Project LLC

A P P E A R A N C E S (C O N T I N U E D)

For the Intervenor:

LIZANNE REYNOLDS, Adams Broadwell & Joseph
On behalf of California Unions for Reliable Energy (CURE)

For the Public:

MARK ABRAMOWITZ, Community Environmental Resources

LARRY KENSON

SALLY R. JORDAN

I N D E X

P R O C E E D I N G S

THURSDAY, JANUARY 15, 1998 VICTORVILLE, CA. 10:04 P.M.

COMMISSIONER SHARPLESS: Good morning, I would like to welcome you all who are here this morning to the informational hearing on the High Desert Power Project; it's being conducted by the California Energy Commission. I'd like to begin by introducing the committee that will be overseeing this project and other members of Staff that are up here sitting at the dais.

I'll begin with my colleague, Commissioner Robert Laurie who is the second member on the Committee; I am Jananne Sharpless, the Presiding Member on the Committee. To my right is my advisor, Rosella Shapiro, to my left is Stan Valkosky who is the Hearing Officer for this proceeding. To Ms. Shapiro's right is Roberta Mendonca who is our Public Adviser and who will be making a statement later on to tell you how she can assist the public in this process.

I'd like to turn also now to the Staff and ask the Staff to introduce themselves, the parties to introduce themselves and I would also like to recognize, by the way, one person, additional person on our Staff who is here to aid the press, that would be Rob Schlichting. Rob, are you here? Okay. If there are any press here perhaps you can introduce yourself to Rob and that will give him in an opportunity to make sure that you're on the list for notification so that we

can help everybody through this process as best we can. Staff, would you like to introduce yourself.

MR. BUELL: Yes, my name is Richard Buell, I'm Staff's Project Manager for the High Desert project.

MS. HOUGH: My name is Caryn Hough, I'm the attorney who is assigned to represent the Staff in this proceeding.

COMMISSIONER SHARPLESS: Any other members of the Staff who would like to introduce themselves please do so at this time.

MR. JOHNSON: Roger Johnson of the Siting Office of the Energy Commission.

MR. HAUSSLER: Bob Haussler, I'm the Siting Office Manager of the Energy Commission.

MR. THERKELSEN: I'm Bob Therkelsen, I'm the Deputy Director for this case from the Energy Commission.

COMMISSIONER SHARPLESS: Thank you. And now to the Applicant. Would you like to introduce yourself, please.

MR. WOLFINGER: My name is Rick Wolfinger, I'm the Project Manager for the High Desert Power Project and Andy Welch over here is the Project Director. My other two partners in the project are Buck Johns and Dan Nevau in the back of the room here. Supporting me here today is our attorney, Allan Thompson out of San Francisco and Sara Head from a company called ENSR involved in the air permitting for

our project. We're pleased to be here today to explain our project.

COMMISSIONER SHARPLESS: Thank you. Are there any representatives from the intervening party?

MS. REYNOLDS: Lizanne Reynolds with Adams Broadwell and Joseph representing the California Unions for Reliable Energy.

COMMISSIONER SHARPLESS: All right. I'd like to at this time turn to -- Well, actually, I'll wait for that and begin by giving just a little background about why we're here today. As you know in December we found the application to be complete to start this process. This committee was formed and we are now undertaking the process to determine whether or not the Applicant has met all of the laws and ordinances necessary to issue the permits for this project.

This is an informational hearing. It's intended to inform us, the Committee, you, the public, and other parties. So we are here, really as a first step, to provide information on this project from both the Staff's side and from the Applicant's side and to hear the concerns or issues raised by others who will be involved in this process. This hearing was noticed to all parties, the adjoining landowners, interested government agencies and other individuals on December 12. And I assume that's why some of you are here, you've received those notices.

The documents pertinent to today's hearing include the Staff's Issue Identification Reports which were filed on December 31 and I believe you can see the documents in front of the room today if you would like copies. As I said, the purpose of today's hearing is to publicly discuss the proposed High Desert Power Project, the Energy Commission's review process and the avenues for public participation in this process. And for those of you who are interested there will be a site visit that the Committee and I believe others who are interested can be included in. It will be held immediately following the conclusion of this hearing and transportation will be provided.

In order to proceed today I would like to start first with the Commission Staff to provide an overview of the Commission's licensing process and its role in reviewing the proposed High Desert project. Then next I will turn to Roberta Mendonca, the Commission's Public Adviser who will briefly explain what her role is and methods to gain information and participate in the licensing process. Finally I'll turn to the Applicant and I would like the Applicant to describe the proposed project and explain its plan for developing the project site.

Upon completion of these presentations interested agencies and members of the public may ask questions. Following this we'll have a discussion of the scheduling and

other matters that were addressed in the Staff's December 31, 1997 Issue Identification Report. So we will turn to you to begin the process by starting with the Staff presentation. Or whoever.

PRESENTATION BY THE STAFF OF THE COMMISSION

MR. BUELL: Good morning. Once again, my name is Richard Buell, I'm the Project Manager for the High Desert -- Staff's Project Manager for the High Desert Project. My job in this process is to coordinate the Commission Staff's review of the application for certification for the High Desert Project. That entails such things as scheduling Staff-sponsored workshops where we will discuss topics on the project, issues on the project.

I'm also one of the major contact points for the Staff on this project and I've left a copy of my business card up on the front next to the sign-in sheet if you'd like to get a copy of that. My phone number is on there and also my e-mail address should you want to contact me to find out what the status of the project is or any other aspect of the project that I might be familiar with. Of course, the other major contact person in this process is Roberta Mendonca, the Public Adviser, who will explain her role in the process shortly.

The Commission has permitting authority for 50 megawatts and greater thermal power plants so that would

include projects that burn natural gas, coal, geothermal facilities, solar thermal facilities. It does not include jurisdiction for hydro facilities, for example, or wind facilities at this point in time.

We also have jurisdiction over related facilities that are -- facilities that are related to the power plant such as transmission lines that are constructed to provide electricity connections to the electric system in California, natural gas pipelines that would supply the project with natural gas and water pipelines that would supply the project with water. The California Energy Commission is also the equivalent to the CEQA lead agency in this process, we will be preparing the environmental documentation for the process.

Our process is a 12 month process; it's mandated by law that we process an application within 12 months. The review process that we've gone through, we've already started this process. In November of '96, I believe, the Applicant contacted the Staff and we began a prefiling review on this project. What that would entail is to try to provide the Applicant with some guidance on what information is to be provided for an AFC, to gain an understanding of the project ourselves so we can identify issues, and to try to identify what analysis needs to be conducted by the Staff and by the Applicant on this process.

The second phase of this process that I've

identified here is data adequacy. Commissioner Sharpless referred to that earlier, that we have now deemed this application complete, meaning that we believe it contains sufficient information for the Staff to begin its analysis on this process as well as local agencies.

The next phase, which is the phase that we're in now, we call the discovery. During that process Staff will ask the Applicant additional information that may be necessary to clarify issues on the project as well as intervenors may ask the Applicant data requests as well as the Applicant may ask intervenors data requests. It's an opportunity for local agencies also to identify additional information that they may need during the process. So this is a time where we're all trying to figure out more about the project, we haven't completed any of our analyses yet on this project.

The next phase, of course, is the analysis phase, in which Staff will conduct a detailed analysis of the project, identify the specific issues that need to be -- will be addressed in the process, identify our findings such as whether or not the project will result in any significant environmental impacts, etcetera.

Once Staff has completed its analysis it will prepare a document called a PSA or a Preliminary Staff Assessment. That's one of the first documents that you'll

see in the major documents that you'll see in this process. It contains Staff's findings on the case at that point in time. It will in some cases include our recommendations on the conditions of certification for the process, the things that the Applicant needs to be required to comply with. After we have filed our PSA is an opportunity for the public and members of other agencies to comment on the Staff's analysis and we'll file what is called a Final Staff Assessment subsequent to that, which contains our final Staff assessment on the process.

The Commission Committee will conduct hearings at that point on the Staff's Final Staff Assessment as well as testimony it may receive from the Applicant or other parties or other agencies regarding this proposal. Once those hearings are completed, an item that I don't have on your screen this morning, is the Committee will issue what's called a Proposed Presiding Members Report or Decision on the project. That will contain the Commission's recommendation on what conditions, what findings it needs to make pursuant to our regulations and also what conditions need to be placed upon the Applicant. What their decision is on those.

One of the things I wanted to emphasize today is that we have a very open public process. We encourage the members of the public to participate in our process, both in terms of hearings, asking questions at hearings such as this

one as well as the workshops to come to the workshops to try to better understand what the project is about to ask and actively participate in those workshops.

One of the things I'd like to talk about this morning is how to obtain documents on the project. When the project was originally filed with the Energy Commission the Staff circulated copies of the AFC to various libraries in the project vicinities such as the Adelanto branch library for San Bernardino County and also the library here in Victorville.

Other ways of obtaining documents is to contact me and I can send documents to members of the public that are interested, such as the AFC. Although we have a limited number of copies of the AFC, which is the Applicant's documentation on the project, that's an Application For Certification. We would loan those out or provide copies to members of the public so that they can gain a better understanding of the project. The FSA and PSA, Staff would also make that available to the public so they can review what our findings are on the project.

We are also trying to use the Internet as a possible source of obtaining documents on this case; I have a High Desert web site page. If you'd like to find out more details on how to access that please contact me and I can give you the address for that. We will be posting such

things as Staff's Final Staff Assessment and Preliminary Staff Assessment as well as data requests. You'll find currently the Issues Report on the Internet page.

The next item I'd like to talk about briefly is the roles of the various parties. I won't belabor this since we have some of the parties here today and they probably want to speak for themselves. I just want to say that the Commission is comprised of a five member commission and they have appointed two commissioners, Commissioner Sharpless and Commissioner Laurie, to oversee thee proceedings. Their responsibility is to take evidence in this case and prepare a Presiding Members Proposed Decision. The Hearing Officer, who is also here today, Stan Valkosky, is responsible for conducting hearings and making rulings on this case.

In our process, although our permit is in lieu of many local permits that normally would be required for large projects we also try to involve local agencies such as the Mojave Desert Air Pollution -- Air Quality Management District in our process as well as the water agencies also will be reviewing this project. So although our license is in lieu of that we do involve those local agencies to try to ascertain what their interests are in this case, what their regulations would require. Generally we don't have any regulations of our own to apply, there's some exceptions to that, but we would try to ensure that the local requirements

are met during our process.

Once again, the public is a party to this case. We are interested in hearing your comments and suggestions, what needs to be analyzed in this case. We'll attempt to try and analyze the issues the public has identified. Perhaps not always in the same depth that the public might want but we'll at least try to address or provide a response to you on you concerns.

The last party that I've identified here is the Public Adviser. When the Commission was originally established in 1975 they established the Office of the Public Adviser, which is Roberta Mendonca, and she'll speak to what her purpose in the process is. But basically she's here to assist the public in participating in the process.

As I've alluded to previously, Staff's analysis on this case involves a number of different aspects. We will evaluate whether or not the project complies with applicable allowances, ordinances and standards. We're also conducting an environmental assessment which will identify the environmental consequences of the project. We will identify proposed mitigation measures for the project, identify compliance monitoring and conditions of certification. This may include such things as whether or not we need monitors to measure air pollution emissions from the project or monitor waste water discharge from the project.

We'll also evaluate alternatives to the project, some of those we'll talk about a little bit later today in regard to the Staff's issues report. We'll also evaluate the environmental consequences of major transmission facilities needed for this project.

Lastly I have here is that a role of Staff is to facilitate public and agency participation in the process. We've had some debate over whether facilitation is exactly the right role in this context because facilitation would mean that Staff doesn't necessarily have its own position in the process but that's not exactly true. We do advocate our own position in this process. We are independent from the decision-makers, we do not work directly for them.

The Committee may direct Staff, as it may direct other parties, to analyze certain aspects of this project but we are independent. Although we do take upon ourselves the responsibility of trying to contact agencies for workshops, for example, it's so they can know what's going on and participate effectively in our process. That concludes my summary of the process this morning. Jan.

COMMISSIONER SHARPLESS: Thank you, Mr. Buell. Next I'd like to turn to Ms. Mendonca, please. Roberta, could you explain the methods available to gain information, I think Mr. Buell did a little bit of that, and what your role is in the licensing process.

PRESENTATION BY THE PUBLIC ADVISER

MS. MENDONCA: Yes, thank you. Good morning Commissioners and public, it's very refreshing. I did introduce myself to many of you this morning, I am Roberta Mendonca. My job is to put you at ease so that you can understand some of what is about to take place and to figure out how you can best let your opinions be known in this process that is underway.

I like to think about public participation and the importance of it and let me just sort of plant this seed with you this morning. If we're all standing looking at the sunset from the front of City Hall in Victorville chances are we're all going to pretty much see about the same thing. But if you take the same sunset and you're viewing it from Sacramento, California it's not going to look quite the same. So we have a process going on here where people are looking at the sunset from different vantages.

A critical part of determining what that picture really ought to be exists from the public. So it's very important as the Commissioners are preparing to make their ultimate decision during this 12 month time that the public weigh in and that the public let the Commission know what their concerns are. So in light of the importance of public input they've created the office of the Public Adviser. And let me just say I was just real pleased to learn that some of

you are here simply from reading about the announcement of the hearing in the newspaper.

Rick mentioned that you can get on a list so that you get future notices mailed to you. The notice doesn't require that you do anything but it gives you the information about what is going on on this application. So please do. I encourage you to sign in and indicate your name and your address and that you would like to get on our information list. That level is called informal participation and at that level you just get the information and nobody expects anything back from you.

You can kind of go to another level and that would be called more formal but not totally formal participation and that's coming to a hearing such as this. Usually at the hearing we encourage you to let us know that you want to make a comment so I was wandering around asking you to please indicate if you wanted to comment on any of the discussion this morning by filling out a card and giving us your name and the nature of the comment you might make.

So that's another level of participation: coming, weighing in, sharing your perspective about what you think this might be, asking your questions. At that level of participation you can ask questions and information will be given to you by way of responses. However, that type of information never reaches a level sufficient for the

Commission to base a decision on that.

So you can go to another level as a member of the public and request from the Commission that you be an intervenor. There is a petition that is filled out and the Commission makes a determination. As an intervenor you are as a party, and by *the parties* let me say that the Applicant is a party and the Staff is a party. We have an Intervenor who is also here this morning that's a party. The intervenors have a right to participate by being on the discovery list, they share and exchange documents, they can cross examine and call witnesses. Your job, if you become an intervenor, is to take care of those duties. So if you are participating you make your documents available to the other parties and they make their documents available to you.

Really important, I do have an 800 number so let me give you that right away, 1-800-822-6228, I'm also on e-mail. I wanted to add to Rick's comment. I have been to the Victorville Public Library and our application, the application under consideration is available there. My last discussion with the librarian, they were planning on bringing in a computer system that would allow you to access the Internet at the public library so you ought to be able to -- This was about six weeks ago. You ought to be able to check in at the Victorville library and access the Commission's web page which would give you the application and, as Rick

mentioned, the notices, on that library e-mail system.

The other name that came up, and I'm not so sure that you all would be familiar with this, but we do create a record and anything about the hearing goes into the record. That whole record isn't just one gigantic file drawer, but it's sort of like that. The people that keep track of our papers are called the Dockets unit. If you need any information from previous hearings, from this hearing, from future hearings, you can request a copy of what has been submitted to the Docket unit. I can assist you in that process or Dockets can be contacted directly.

That concludes my comments, other than we will be having a tour of the site later on today and my understanding is it will be taking place at the conclusion of this meeting.

COMMISSIONER SHARPLESS: Thank you. Now I'd like to turn to the Applicant to describe the proposed project and explain the plans for developing the project site.

PRESENTATION BY THE APPLICANT

MR. WOLFINGER: I want to introduce myself. Rick Wolfinger, I'm the Project Manager for the High Desert Power Project. We're here to talk about a 700 megawatt electric power plant to be located out by the Southern California International Airport, some of you call it George Air Force. John Roberts here from the City, the airport manager, does want you to start calling it the Southern California

International Airport so I hope we'll -- We'll try to do that as we go through our presentation today. I do have copies of the slides. Most people got it but I know a couple of people came in a little bit later. There are copies of my presentation here for your, for your benefit.

We're going to go through a couple of words but then we're actually going to get into, I've actually got some pictures to show you and we'll see what all this is about. We have an office down in Newport Beach. Like I said, I'm the Project Manager but Andy Welch here is our Project Director. He is located in Newport Beach. I'm located in Baltimore, Maryland and I'll talk a little bit about why I'm in Baltimore and out here in Victorville, in your lovely city today.

This is our telephone numbers and our fax numbers. We also are available on the worldwide web. Our site is up there, it talks about it. You'll find every picture I have today is also on the web along with additional ones and more discussion in-depth about our project. That is updated about every three or four months. It has a link to the California Energy Commission. And I want to say, Rick, thank you very much for putting a link on your site to us. Links are where, if you're into the computer system you can just click on it and you automatically go and see Rick Buell and the California Energy Commission and vice versa. So it's a way

to try to bring ourselves to you and to be more open and give you people some more information.

Let me just tell you who the High Desert Power Project is. It's a singular project but we do have two project sponsors. One of these project sponsors is my partners that I mentioned earlier, Buck Johns and Dan Nevau from Inland Energy out of Newport Beach. They're basically a land development and infrastructure company and it was really their idea to try to decide where to put, what would be a reasonable place to put a power plant to serve the Los Angeles, Southern California area.

Looking at infrastructure, location and a number of different issues, where would be a good place. This is one of the areas we think is an ideal place for a power plant and we plan to show that and that's what this process is all about, by the way. Eventually the Commission will decide whether it's a good place too and whether we meet all the rules and regulations.

I'm with Constellation Power Development, we are a subsidiary of Baltimore Gas and Electric Company. One of the things that's happening in this industry and I'll talk a little bit about later is the power industry is being deregulated. The generation, the manufacturing of the electricity is being deregulated.

Southern California Edison has sold off almost all

of its power plants to various people. There's a company called AES out of Arlington, Virginia, Houston Industries, part of Houston Lighting and Power has bought some plants. Let's see. Thermal Electron, which is a company out of Waltham, Massachusetts bought a couple and I think there are a few other ones. So what's happening is this is becoming a commodity market in that area.

We also are in that. We have 26 private power plants and we have several plants here in California. Probably the most notable ones you might know about are the solar electric generating stations up the road here just north of us a little bit. We have a couple of coal plants in this state, we have a couple of biomass plants burning wood chips and we also have a hydro unit up in Northern California. So we've been around here. We also have plants overseas. This is our business, it's in the manufacturing of electricity.

Let me talk a little bit about what this project is. It's a project that's 700 megawatts. You may say, what's 700 megawatts, what's it mean. Well, 700 megawatts is probably good for about, I guess maybe about 250,000 families. A lot of people. It's a big plant. It's a big plant from the standpoint of the amount of power it can generate.

The interesting thing about the technology we have

though, it's a pretty small plant. It's not one of these great big plants. I've got a picture of it I'll show you. It's not one of these great big plants you think about that have got real, real, real tall stacks and big, tall buildings and all that. Those are plants that were basically built in the fifties and the sixties, what are called thermal steam plants, and they tend to be of a very different type of nature. They're pretty much the ones that dot the landscape that you see.

New technology has come about in the last, about the last 15, 20 years but it hasn't really been implemented that much due to a variety of reasons. There's probably -- Maybe about 10 percent of the plants now are what's called combined cycle plants and that's what we're going to be using. We're going to be using a gas turbine and a gas turbine is similar to a jet engine. Just think of the jet engine on the back of an airplane. Instead of pushing the plane forward what it's going to do, it's going to turn a generator and make electricity. It's not going to be noisy. I know you're used to seeing these things but we've got noise abatement and there's all sorts of buildings around it and all that so don't get all upset about that. And these people are going to make sure it's not noisy, by the way. But that's what it is.

Then what you do is, you put these jet engines and

you make, you make electricity. If you just have it that way it's called a simple cycle. And the reason for that would be is they're the least expensive type of generation to put in but they're good for like 5, 10, 15 percent of the year it may run. What it's going to do is on a real hot day when everybody is turning on the air conditioning you hit that thing, it zips up and makes the power, a real cold day or if there's an emergency. Some big power plant someplace drops off the system. One of those high voltage lines when you had those outages a couple of years ago. A big high voltage line comes down, you lose 1,000 megawatts from up north. Hit the button, get that thing up, get it running, keep the load up.

The other type of a plant we're looking at potentially buying--and I'll tell you why I don't know which one I'm going to build yet--is a gas turbine with a steam turbine. What that does is that takes that hot air coming out of the back end of that jet engine and puts it into a boiler, a tea kettle. It makes high pressure steam, I run it through another turbine, it makes more electricity. That runs about somewhere between 30 percent of the time to as much as almost the entire year depending upon what the economics are, whether I can sell my power, make money doing it or whatever it is. So we're looking at two different ones.

The only fuel I'm using here is natural gas. It

does come under very high pressure, you've got a couple of big high pressure lines, those big high pressure lines coming through here from -- actually it comes, starts coming all the way out of Texas. Isn't that right? The gas out here comes out of Texas? The people from Southwest Gas here are nodding and saying that I'm not making any mistakes here. And we tap off of that line which is not too far away from the Southern California International Airport. It comes up and serves as a -- We don't burn oil. Natural gas is real clean burning fuel and that's part of the environmental aspects we're looking at.

We're going to be selling power, electricity into the grid, at 230 kV, 230,000 volts. That's those big lines you see out here. So it's going to be one of those great big power lines and we're going to put another great big power line and connect into the Victor Substation, we'll show you where that goes too. Later on as the Victor Valley Economic Development Authority and the airport builds industrial load we may add into that a cogeneration system that adds steam, hot water and some chilled water into the surrounding buildings but that's something we're looking at five or ten years own the road and it's really not part of this project specifically at this point in time.

We use a lot of water in this plant. That's a very critical issue in the desert. It's not just a critical issue

in the desert, it's a critical in the western United States of America. It's adjudicated. We have an adjudicated situation up here in this valley. It's a very sensitive issue all over and we're going to talk about that. We have a representative here from the Mojave Water Agency and we've been working with those people.

Our site is out by the airport, I have a picture of that. We're doing our permitting right now. And depending upon whether I'm going to build a simple cycle plant, a less costly but just go after the market for five or ten percent of the year, or whether I go combined cycle which goes up to say 50 to 60, 70 percent of the market, will depend whether I'm in operations in 2000 or 2001.

I think you all have a picture, and this is actually from the California Energy Commission. They did a nice job of putting a map together here for us. I think most of you all are familiar with the area. We've got the Air Base Road, which runs in front of the -- we should call this the Airport Road. John, you ought to change that. There's a guard entrance here, and I think you all remember how we got in there. By the way, some of you people might have some kids, as a matter of fact, at the Adelanto School District back and forth. They have a -- Let's see. They have an elementary school and a middle school still operating in the airbase and that's -- the airport, airport.

We're way back here. Our site is way back by the taxiway of the airport. There's a high voltage line that's going to go across a brand new road that's, I think it's just about completed now if it's not completed, El Evado Road, which the City has put in in order to provide access to the back of the airport for industrial development so that we're not going through the gate. And that's not just for us but just general. It's a heavy duty road meant for heavy commercial traffic and that's all set up.

We're looking at putting the transmission line down along there and then following some existing right of ways down into the Victor Substation. I think that's Palmdale Road. Isn't that Palmdale Road that that's where we're going into? A gas transmission line comes down and connects to that high voltage -- excuse me -- high pressure gas I was talking to about.

And we're hoping to put a line up into the Mojave River Aqueduct. And you say, what's the Mojave River Aqueduct? Well, this is something that the Mojave Water Agency is putting in to affect the groundwater and some of the issues that are going on up here and to spread the water out from what's called the State Water Project. In this State Water Project the water comes up from the delta area up north and it's brought down into this, into this area here of Southern California. And it not just only comes here but it

goes into LA and a number of places.

This map is not one of your color photographs. We've also got another photograph up here. But let me just orient you a little bit to this. For those of you who can see it, this is one of the runways and this is another one. And to give you a sense of it, this runway here I think is about 12,000 feet long, which is about two miles, and this one is about 10,000 feet long and that's a little less than two miles. This is an area where they used to park all those F-4's and all those jets and now John wants to -- John Roberts wants to get a lot of 747 cargo planes in here. We do have some commercial, there's some light aircraft that are using that area.

This is the base where it used to be and this used to be residential housing and if you go in there you'll still see all that residential housing. That's all going to be torn down eventually and this is all going to be a large industrial park. We're located way in the back out of the -- In fact, we had some other sites we were looking at but the Victor Valley Economic Development Authority wants to put us back here which is off of where the parking area was for the planes. There's a taxiway where the planes would taxi and then they'd sit at the beginning of the runway and then they'd take off.

And we're back here off of what is a taxiway, kind

of pushed in the back. The concept being is that, number one, we don't have very many employees, about 20 or 25 employees, and it's a big facility. There's some pictures of that. If you want to have, say, some manufacturing and some office buildings and other things you don't want a big power plant in the middle of this thing so we're put here in the back. There's a little bit of concern, and this is one of the issues I brought up is, is this the right place for it. This is the runway so planes can land coming this way or planes land going this way.

I think when the Commissioners go out and take at it you'll see that basically there's an area that's called the Cone of Influence, which is basically when you're flying a plane you've got to get yourself lined up to go land at that runway, and we're over here, we're out of that cone of influence. And we filed an application through the airport manager with the FAA and they'll rule on that but we feel pretty comfortable about where that's located.

Through the magic of computers and our friend here from Fluor-Daniels who is a local resident here, he's been helping us out, we took a photograph of this site -- A little more of what it is. This is where all the planes park. In fact, you can just see the tail of a plane here. This is the taxiway, this is the runway coming in. This is what the site looks like without a plant and, voila, they just put a plant

in there complete with shadows. And that is to scale, by the way. And that photograph is in here and this is what it looks like.

We have three gas turbines with three recovery units. This is where we're going to recover. This is the largest size plant with the steam turbines and we have some cooling towers over here where we take the steam and make it water again and that's where I re-use all my water. We've got a big water storage tank on this site. We have one of these high voltage substations, you've seen them around in your area, and this is the power line that then goes off. So this kind of shows you a representation of what that plants look like.

Let me just tell you, 700 megawatts, that's a really small plant for 700 megawatts but this is the technology that's being used now. This plant uses two-thirds of the fuel a normal plant uses, or it's one-third less. It's like getting, you know, driving that car that used to get 20 miles to a gallon, now it's going to get 30 miles to the gallon. So this is a real good thing to be going and putting in. It's good for a lot of areas and I'll go into that.

This is another artist's rendition and this is what actually -- They make a model like this through a computer system and then they impose it, but this gives you a little better picture of what we're talking about, the gas turbines

and steam turbines and the size of that. To give you a sense by the way, these stacks are about 200 feet high, to give a sense. And this, what's called a heat recovery steam generator, recovering the heat and making steam, that's about 75 feet high. I'm trying to give you some sense of it. And these towers, I think they're probably in the neighborhood of about 50 or 60 feet high out there.

That's the combined cycle plant. We talked a little bit about what a simple cycle plant would be, that's the one where I just have the jet engines by themselves. The stacks are a lot shorter. I think that's about -- Sara, what are they, about 90 feet, 80 feet, something like that, the stacks? I think they're something in that neighborhood in there. That's what the plant looks like.

Let me tell you a little bit about some interesting things I mentioned a little earlier about. This is a real busy slide and I'm not going to go through all this. We're entering into a deregulated market place. As a deregulated market place we're now, okay, we now have to sell our product and so my job is to build a plant and manufacture electricity that's competitive with everybody else.

No longer are you out here as rate payers going to guarantee me a profit. No longer are you going to be responsible, as you would be in the traditional way under rate making with Southern California Edison buying and

building a plant where you're responsible for the debt. It's all my responsibility. If I can't make power cheaply then I'm just going to make less of a profit, and if I really can't make it cheaply I'm not going to make any profit at all. So it's very important for me to have a competitive plant. And the deregulation of this is going to start here in California in about April of '98.

Some other things are happening too, by the way. You've got big economic growth coming. I think we all have seen that California and the whole nation is now -- I guess we're in our seventh year of a unparalleled growth in the country. The demand for electricity is picking up, you would expect that. And in fact, the California Energy Commission said there's somewhere in the neighborhood of five or six thousand more megawatts that are needed over the next six to eight years.

So one of the things is that besides the fact that we have deregulation, more power is required for this area here, and in fact, that power could be supplied by a number of places. It used to be the responsibility of the local utility. If they needed 1,000 megawatts or 2,000 or 3,000 megawatts they'd go out and build a plant. Not anymore. They don't have any responsibility to do that, okay, it's all deregulated.

And in fact, I've got a competitor. It's right up

the street, right up I-15, right across the border in Nevada. It's called the El Dorado Project. And that El Dorado Project is owned by Enova, which is San Diego Gas and Electric, and Houston Industries, the guys that bought some plants down in the LA basin. And they're building a plant. In fact, they start construction in March of 1998. In another two months they're going to start.

So people are building plants on a competitive basis and I've got to worry about that. I've got to worry about other things but it's important that we have power to meet the needs in 2000, 2001, 2002, 2003. And that's part of the Commission's responsibility to, is to make sure that that's done on a regular basis.

My electricity will be sold at an hourly, daily, weekly, seasonal basis to a power exchange and it's commodity driven. I bid. If other people bid below me their plants run, mine doesn't, so I have to be very concerned about costs. Because the market hasn't been deregulated yet I don't know if I want to build one of these plants that only takes 5 or 10 percent of the power and I sell at that high level or if I want to build one of these plants that I said was combined cycle and I want to run it 50 percent of the time. I'll make that decision as we go further down the road.

And this has created some problems, by the way.

People usually come in and say, I know what I want to build, this is what it's going to be, and life is a lot easier. Well, I've kind of thrown a monkey wrench into the whole thing and this is part of the deregulation that's going on. Because I said to the Commission and to the Mojave Air Quality Agency over here and other people, I'm not sure what I want to do but look at all of them. Let me build what's the most economic. Look environmentally and let me have a couple of options I can do.

And so that's what we're going to do here today--not today but in the whole process--is look at a variety of issues that we're going to try to deal with. It is critical that I maintain my flexibility and I think that's pretty much it for that wordy slide.

Okay, a couple of things. Good that the public is here. This is the first merchant plant that's submitted an application before the California Energy Commission so it's important for you to get your feedback into the Commission and into this whole process. Because this is really setting a new trend. How this plant, and there's another one coming down the road, the Sutter Project, which is up in Northern California, and a few others, are going to pretty much set what's going on in the marketplace. So your input is important.

But we are the first one. We are very high

efficiency and that leads to lower emissions than the existing technology. I talked about that in fuel. We are going to be using the State Water Project, I'll talk more about that, to avoid depletion of your groundwater. That's a big issue here. We had an adjudication here about three or four years -- it actually started quite a while ago but it finally got settled out. And we're going to show you how we're going to be neutral on the water supplies to the area and I'll show that.

We're a zero discharge plant. You have a Victor Valley Waste --

MR. WELCH: Wastewater Recovery -- Reclamation Authority.

MR. WOLFINGER: Wastewater Reclamation Authority.

MR. WELCH: Wastewater Reclamation Authority.

MR. WOLFINGER: Right, VVWRA. But we're not going to be sending our water there. Instead, it's going to go to a zero discharge. What we're going to do is we're going to take the wastewater that comes out and we're going to go through a distillation process. Because we've got a little extra heat in this plant we're going to go through a distillation process and capture the water out and reduce everything to a solid and then dispose of it. It's non-hazardous, dispose of it in a landfill. So we're zero discharge. We're going to use all of our water so we're not

going to be using up any of the wastewater capabilities of the area here.

We hope that this plant meets some of the local development and planning goals that exist here in trying to get the airport and the industrial side of that up and going.

Let me just touch basically on some of the environmental benefits, we'll go through these real quickly. The big deal people are talking about is global warming these days and that's CO_2. CO_2 is created when you burn fossil fuels and it's creating a problem. If you're more efficient you create less CO_2. Our plant is about one-third more efficient. It uses one-third less fuel so as a result we produce one-third less CO_2 than normal power plants. This is good for the environment. This is as if everybody's cars here got that extra ten miles a gallon. And I think you're going to see this technology slowly replace all these other plants over a period of 15 to 20 years.

We do have significantly lower overall emissions than existing gas turbine technologies. New things happen all the time. Just like cars are getting cleaner these plants are getting cleaner. This will be the cleanest plant around. Other plants that will come out, I'm sure five or ten years ago (sic), they're going to be cleaner than this one. But each time we make that step, just the way the cars have gone through the various situations with catalytic

convertors and better fuel systems and all that, they've gotten better. The same thing is true with our system. We've got very low emissions levels.

Now, there are a couple of things here. You are a non-attainment area for what's called three major pollutants, NOx, volatile organic compounds, and PM10. What's PM10? PM10 is particles that are less than 10 microns, little tiny dust. And what it is, you want to be careful about that stuff because that's the stuff that may end up having some effect in your lungs so you need to be careful. This area is a non-attainment, mainly because you're in the desert. I mean, it's pretty obvious. We do generate a little bit of this and some of the other things.

We have to offset that. Because it's a non-attainment area we have to get other people to shut down or pave some of these dirt roads in the case of PM10 or whatever it is. We have to offset all of our emissions that we're going to produce out here of these three emissions. We have to offset them all, and we'll do that. And they're not going to give me my ability to permit and these people from the Mojave Air Quality Management District are not going to give me my permit unless I do that. So I'll get those.

Also, we're pioneering something interesting and we're trying to get this done, it's what's called interbasin trading. The non-attainment that you have up here is not

because you've got a dirty valley, it's because the guy in the other valley on the other side of those mountains is dirty. It's coming up here. So what happens is that because of that, okay, if I have to get offsets but I have to clean up I have to find the offsets right here in this valley. This isn't where the pollution is coming from, it's coming from the other place. Well, that's another district.

So what we're trying to do -- There's a law on the books and we're going to try to make this work: We're going to try to get some of the pollution that's down there and offset it down there. Stop the pollution down there, it stops it from coming up here. That's called interbasin trading. That's something we're working on. And I think it -- What it will do is it will help economic development up here too because you're going to have to do that and it will show that you can get the pollution problems from the other side.

Water Supply Plan. A big deal, okay. No depletion of the ground water, very important. A lot of problems here a long time ago with depletion of groundwater. People were pumping out of the ground, the water went down, the wells dried up, a lot of problems. The State Water Project came in, Mojave Water Agency is a water master, it brings water in. Now what they do is they put water into like lakes and that water percolates into the ground and builds the ground

water. It's like a big reservoir. So there's a way to do that. So you can pump the water out of the ground but then when there's water, water comes in from the State Water Project it fills back the reservoir there. Well, that's what we're going to be doing, okay. Our main water is going to come from the State Water Project.

Remember I talked about the Mojave River Aqueduct? That water comes in, we're going to connect, that's where we're going to get most all of our water. But every once in a while that aqueduct goes down, either for pumping -- they're going to have to fix the pumps, the pipes go bad, or in some cases it's real dry. You've had dry years, you know what it's like. I mean, we can forget about them but remember they were dry back a while. Because I've got that hydro project up in Northern California. I'll tell you, it was dry. I didn't make any money on that one for quite a few years.

What it is is when there's a lot of water they fill up this reservoir which is called the groundwater, it fills it up. So that's kind of like -- That's kind of like the groundwater is going to be the piece of our puzzle that when the State Water Project is not available we'll draw it down. Now we've got to make sure that we're not drawing it down to the point where it's going to affect other people's wells or anything. But we'll draw it down and then when the State

Water Project starts working back again we'll fill that back up.

In fact, I'd like to fill it up more than I want to draw it down. Instead of an after-effect I'd like to have a little cushion there. Maybe have a couple hundred million gallons in there that I can put in ahead of time. Purchasing excess water when available is what I'd like to do. I'd like to get that water in ahead of time. Fill that thing up so that if you have a little problem, you know. So that the water level comes up 25, 30 feet. It's not going to hurt it. Mojave Water Agency will make sure it doesn't hurt it.

So that's what we plan to do and we plan to be, what I call, water neutral, okay. Sometimes I'm going to be pumping out of the groundwater but I'm going to replace that water. And by the way, it's not just something I can just say, I'm going to do it. They're going to make sure that I do it. The Judge, I guess he's done in San Bernardino. There's a Judge who has adjudicated this thing and he's going to make sure I do it. So I'm going to do it.

I talked about wastewater and zero discharge and that's what we're going to do. We maximize the recycling and reuse the water on site. Also, by the way, we are an industrial facility, no question about it. We have turbine lube oil, we have a machine shop, we have a lot of things on there. It's important that we don't contaminate the ground

or anything like that. And so you find out (indiscernible) and there's rules and regulations of how you collect storm water and things in an environmentally sound matter and we'll do that. And that's well-known, well-documented, and it's going to make sure that that's in our project. There are a number of regulatory agencies that will make sure it's in there.

Here I just broke my deal with John Roberts. Reuse of existing site on George Air Force Base. I am sorry. But that's really what you do in land use. This is an industrial process, we want to be industrial. This is where the area up here has said, let's put our industry in one area instead of putting them all over the place. Let's use that area. It's already got 6,000 acres, there's not a lot of people around there, let's make that the area to have companies come in.

You used to have 4,000 people going in and out of that every day. It used to have truck deliveries, it used to have stuff. I mean, it's used to having a lot of activity around that area, so let's put our industrial plants there. And that's the reason, one of the reasons we chose it. It's got a historic use of being active. Planes flying in and out, noise, traffic, all that stuff. So that's a logical place in this valley up here. Don't move it over to some place where there's nothing there, put it in some place that's historically had that usage.

We meet the -- We're talking about the regional industrial development plans that have been set up, we went there. Another thing about land use, we are trying to -- I mentioned about the transmission lines, trying to put them along existing corridors. And our gas and water lines are, to the best we can we're following existing roads. So we're going to just dig a trench along the side of the road to put our water line in and also our gas line. And that's to try to minimize going across the middle of the desert where there might be habitat for desert tortoises and those type of things. So we tried to lay out our infrastructure to minimize the effect on the environment and on habitats in order to follow the areas that are already disturbed or close to being disturbed.

Okay, let's rush this through here, you're getting tired here, I think. Okay, noise, we talked about that. The closest really sensitive area are these two elementary -- there's the elementary school and the middle school. They're about 1.2 miles away or something in the neighborhood of a little over a mile away. We've done a noise study, it doesn't even come up there.

We've got to limit some hours of activity during construction. Not on the site because there's nobody around the site, but some of these lines, particularly the line, the transmission line does go through. As it gets down toward

Palmdale Road and connects into the Victor Substation there's some houses along there. And nobody wants us out there at 11 o'clock at night pulling wires and digging stuff so areas like that that are near residential areas, we'll make sure that we're doing it during the daytime hours and to have the least impact on everybody.

Like I mentioned, we have acoustical enclosures around the gas turbines so these are not going to sound like jet engines all the time out there.

There's some other things too. This is just kind of a general overall area. There's a lot of areas we're concerned about. We're concerned about biology, we've got wild flowers, we have a lot of sensitive things up here. Paleontology. Now, paleontology is the study of dinosaurs and then we have archaeology.

Surprisingly, people used to live up here 15,000 years ago, 10,000 years ago. These sites have been identified. And by the way, you can't get to these sites because if you told everybody where the sites were they'd probably get destroyed so that is confidential. But we know where they are, the Commission knows where it is and we have people that are going to make sure that when we are out here working that we're not going to impact these sites. And so we're going to try to get around them and take care of that. Whenever you start digging up stuff you worry about erosion.

We're going to have erosion control measures, that's all part of it, we have to have a regular plan.

And we have an employee environmental awareness education program. Really important. And this sounds like, yeah, right, these guys are just -- It's the truth. And I'll tell you what, there's a law that got passed -- and I don't know when it was, five or ten years ago. If you don't do these things the owners of the company go to jail. They've gone to jail. This is serious. And I'll tell you, that was probably the best thing that ever happened. I'll tell you, you tell the president he's going to go to jail, everybody gets an environmental awareness program and they don't screw around.

Okay, where are we at? Issues. This is going to be talked about a little bit by the Commission by the way, they came up with about four or five issues. Air emissions. We're going to be offsetting them. I talked a little bit about it, obtaining the offsets locally and from the LA basin. These are things they're going to talk about. Water supply. Our primary water supply is from the State Water Project, a secondary source is ground water. The rules have been established on how to make up the ground water, Mojave Water Agency will take care of it.

By the way, that's really important. It's not a matter of people getting together, this is adjudicated. A

judge said, this is how it's going to be done. The rules are well-established. That's one of the reasons we came up here, by the way. You go to some of these other areas, it's kind of mish-mashed. Nobody really knows who is supposed to do what, what's going to go on. Here it's well understood what you've got to do and we're going to do it.

Other issues were land use. The concern is, is this a proper -- is a power plant the proper thing at the Southern California International Airport. Actually, it's kind of a long name for it, it should be called the Economic Development Area or something like that. We think it is the right thing, we're going to answer some questions on that.

Visually, people a little concerned about where some of these power lines are and I think you all as the public, and the Commissioners when they're here, ought to take a look at it. This place is filled it power lines and you see them all over the place. If we were going across the middle of the desert someplace and there weren't any I think you'd have a real visual problem and it would be a concern. But it is a very -- Power lines are pretty used to being around here. We're going to follow the existing rights of ways and existing areas wherever we can. I don't think we're going to be that significant in there.

We're also going to talk about what is called transmission. Transmission is that part of the system that

takes the power I make and gets it to you. It's the big lines is what we're talking about. I'm not talking about the little lines that get to your house but the big lines. There's a study that Southern California Edison has to do and they're concerned about the schedule on that. There are a couple of things that are interesting in that.

Back in 1992 the Federal Energy Regulatory Commission got into this whole deal and said on a ruling called 88A that there is really no issue. The issue is cost, but no whether you're going to get in or not, they have to take the power. There is no question about it, they have to accept it. So this is not, if people are concerned, this is not like a fatal flaw in the project, can it sell the power, can it get the power in the system or not. It has to be taken and the system has to be changed.

Now, I have to pay for the costs to upgrade the system to what it is and we're going to find out what they might be or may not be. We've done some initial studies, we don't think it's going to be that great. But we're going to do some studies and we're going to work with Southern California Edison to make sure we get an interconnection study on it. And we're going to try to do that in a timely way, Mr. Buell and Commissioner Sharpless and Commissioner Laurie.

Okay. Real quick, two more slides left. Project

Benefits. What's AB 1890? That was where -- AB 1890 is the law that passed that created the deregulation of power in here. And we are consistent -- The idea was to create merchant plants, here we are. This is what we're supposed to be doing. We're trying to beat some of that forecasted California Energy Commission load that's required.

We want that flexibility in design because, you know, it may be that a combined cycle plant is not the right thing for California. They're more expensive. If all you need is power five or ten percent of the time you can buy, say, inexpensive coal power or hydro power from the northwest or something, you don't want necessarily to have higher cost power from a combined cycle in a peaking plant. So we're not quite sure what's needed. We're looking at that flexibility. And the nice thing is is we give that flexibility to the State to meet the market conditions. So we're not putting plants in here that in essence are going to have a higher price and what's going to happen is that the higher price eventually would end up raising potentially the total price of electricity. So we've got to be the right kind of thing.

We're in state. We can't stress this enough, okay. We're going to pay a lot of taxes, we have a lot of construction jobs. There aren't many operating jobs by the way, I'm sorry, but we do have an input. So the money you spend stays in the state, it doesn't go out of state. And we

do provide that by being here in California and not being over in Nevada.

What's in it for you people here? It's a clean industry. You say, yes, but it has emissions and all that. It is a clean industry. Compared to a lot of other things it's a clean industry. It's $300 million. And for $300 million, this is a clean industry for what we're doing. It establishes and helps to establish your industrial park. It puts it on the market, it puts it on the map. It provides tax and infrastructure payments and it meets the land use criteria here in the area.

We're very excited about this project, as you can tell by the way I've given the presentation today. I'm excited about it. I want to be part of your neighborhood. We've been part of California. I'm not some carpetbagger from Baltimore. We've got a big office in Sacramento where we have about 350 people that operate plants. We're here. We want to produce low-cost power and have you have lower cost power. We think it's a good place to be and we want to be here. Thanks a lot.

COMMISSIONER SHARPLESS: Thank you. There is more to this agenda and we'll get into a little bit more from the Staff on issue identification.

COMMISSIONER LAURIE: Commissioner Sharpless, I had a couple of questions of the Applicant.

COMMISSIONER SHARPLESS: Commissioner Laurie, if I could, I'm building up to that. We are going to take questions and comments, I just wanted the audience to know that if they wish to question or comment at this period I encourage that to happen but there will be further testimony and another opportunity for questions and comments. So I'll start with Commissioner Laurie; Commissioner Laurie.

COMMISSIONER LAURIE: Thank you. Mr. Wolfinger, could you go back to your slides and give me your first photo slide, the one that shows the broadest general view of the project site. Can you give me some education as to surrounding land uses beyond the immediate scope of the base. For example, where are the closest residential uses to the project site? And also give me some idea as to some of the terrain features.

MR. WOLFINGER: Right. This is the Mojave River. There is a slope to that river and this is on a plateau. So once you get up to the plateau you can kind of see where the plateau, the bank comes up and it's kind of along this area here. This is pretty flat. Obviously, it had to be flat, this is an airbase. So the area is pretty, it's a pretty flat area here. It's about 6,000 acres and there are no residences in that acreage. There are a couple of houses over here, there's a cement plant that's across the river. This is the Victor Valley Water Reclamation Authority, the

sewer plant.

Probably the most significant residences we have is the city of Adelanto. As I mentioned earlier, this runway here is just about two miles and they're about another, well, from the site they're probably a good three miles away that way. There is I think as we go up here, I think there are a couple of residences up in this area. The nice thing about it is there really aren't many residences that are very close so it's pretty good on that. Other than that there's really nothing here.

There is some industrial manufacturing going in there. John's done a good job and the Victor Valley Economic Development Authority, they've got some people in there. We do have a school in here though, we talked about that, 1700 kids. And there's also, by the way, a state prison being built across the Air Base Road over here and I'd say that's about another two miles away. That's under construction right now.

COMMISSIONER LAURIE: Where is the jurisdictional limitations, if you know, to the city and to the county vis-à-vis the base?

MR. WOLFINGER: Mr. Roberts maybe would like to answer that.

COMMISSIONER LAURIE: Okay. Well, we can save that for later.

MR. WOLFINGER: Okay.

COMMISSIONER LAURIE: What I'm trying to get at is I'm interested in knowing how this particular land use, which is located on federal property; is that correct?

MR. WOLFINGER: Yes, but it is part of the City of Victorville.

COMMISSIONER LAURIE: Okay.

MR. WOLFINGER: It's now been annexed. Is that correct, John? It's been annexed into the City of Victorville and so this is the City of Victorville.

COMMISSIONER LAURIE: And does the City of Victorville have land use planning authority over that area?

MR. WOLFINGER: I believe it does, yes, yes.

COMMISSIONER LAURIE: And this proposed project is consistent with the land use plans, the general plan for the city; is that correct?

MR. WOLFINGER: That's correct.

COMMISSIONER LAURIE: Thank you. Is there at this point in time a master plan prepared for the airport site?

MR. WOLFINGER: Yes, there is.

COMMISSIONER LAURIE: And is this project consistent with that master plan?

MR. WOLFINGER: Yes, it is.

COMMISSIONER LAURIE: Thank you. Regarding view shed issues. You indicated that the stacks will be

approximately 200 feet tall; is that correct?

MR. WOLFINGER: That's correct. On the combined cycle side that's correct.

COMMISSIONER LAURIE: To your knowledge is there a visibility issue that would impact any surrounding residential neighborhood?

MR. WOLFINGER: Not with those stacks. I don't think that's going to be -- The stacks are pretty -- Although 15 feet in diameter sounds big they're really, from a long distance -- Because there isn't -- People from a long ways away, I don't think that's going to be the issue. I do think an issue is potentially in very cold weather you will see some plumes, which is basically water vapor condensing, like a cloud condenses, until it dissipates. That's probably going to be the visual thing you're going to see.

COMMISSIONER LAURIE: Can you go into that a little bit. Can you educate, perhaps myself and perhaps interested adjacent neighbors as to what exactly is coming out of those stacks.

MR. WOLFINGER: Yes. Basically, probably the most visual is going to be from the cooling tower but even the stacks. When you turn on your car in the morning a lot of water comes out the back end of your tailpipe. And what that is is when you burn fuel you create water vapor. And that sounds nuts, and I'm not exactly sure how the chemistry

works, but basically you have hydrogen and you've got fuels that are made of carbon and hydrogen and then you've got oxygen coming in and it creates water vapor and the CO_2, which is a gas.

And so what you're seeing coming up these stacks -- What you're seeing is not like white smoke, what it is, it's really water vapor. As it gets up and starts to condense, especially in cold weather, what you see is the light coming in and reflecting back off. It's a cloud. And that's what it is, it's a cloud. And so what you're really seeing is is you're seeing the water vapor from the products of combustion going up the stack. In cold weather it doesn't dissipate as fast. When it's warm it doesn't condense, okay. When it's warm outside, and you have a lot of warm weather around here so you're not going to see it that much.

So that's probably the visually, probably the most significant you'll see from the plant are the plumes. The same thing is true with the cooling tower. Again, the cooling tower is putting water vapor up in the air and what you'll see on very cold days is that plume, you'll see that visually. And that will be -- You'll see that.

And if you all look around here you have a number of cement plants. You'll see the same thing coming out of the cement plants that are around here, it's pretty common. And you'll see it a number of places. In fact, you'll see it

at your house if you burn natural gas. You'll see -- On a very cold day you'll see a little white smoke coming out. That's not smoke, it's water vapor coming out of there. So that's what you're seeing.

COMMISSIONER LAURIE: Let me talk about water for a minute. I think you indicated five to six thousand acre/feet per year. And that's in allocation or you're indicating that there is sufficient water to come out of the State Water Project. Is that your testimony?

MR. WOLFINGER: Yes, I believe it's available out of the State Water Project, yes.

COMMISSIONER LAURIE: All right. Can you take a minute and educate me as to how that works. That is, if there is a question about water availability servicing the entirety of Southern California can you describe how it is determined who gets what share of water and if in fact, for example, there is five to six thousand acre/feet of water through the State Water Project available for this project.

MR. WOLFINGER: I am not the right person to answer that question.

COMMISSIONER LAURIE: Okay.

MR. WOLFINGER: I'd have to consult with an expert.

COMMISSIONER LAURIE: I am interested in the answer to that question so perhaps Staff can provide that information for me. Thank you, I have no further questions

at this time. Commissioner Sharpless, thank you.

COMMISSIONER SHARPLESS: Thank you, Commissioner Laurie. As I said, we've had quite a few presentations about process and now the project description. We will get into further issue identification in the next increment here. But I would like to give an opportunity for anybody who has any questions or comments at this point to come up and address the Committee, otherwise, we will go on to the next agenda item. Yes, Mr. Abramowitz. I note that you have a card but I didn't know whether you wanted to speak now or later.

MR. ABRAMOWITZ: Yes, I had some questions perhaps the Applicant could answer.

COMMISSIONER SHARPLESS: Please identify yourself and your affiliation.

MR. ABRAMOWITZ: Sure. My name is Mark Abramowitz, I'm president of Community Environmental Services. As you know I've been involved in air quality issues for almost 20 years now and had the pleasure of appearing before you many times at CARB. I guess CARB's loss is the Commission's gain.

COMMISSIONER SHARPLESS: Thank you.

MR. ABRAMOWITZ: This being the first merchant plant in California I was particularly interested in the kinds of emission controls that might be required because we potentially have a lot more coming down the pike so there are some important issues to be addressed here. First of all,

just a question. The Applicant indicated that this area is non-attainment for NO_2, or actually he used the word NOx. I don't think there's been any NO_2 violation here. I'd love to know under what conditions an NO_2 violation could happen here.

MR. WOLFINGER: I really mis-spoke. It's a non-attainment area for ozone, precursors to ozone are NOx and VOC's. As a result of ozone non-attainment I need to offset the precursors to ozone which is NOx and VOC's. In my discussion I felt that bringing a lot of that -- With you I certainly would discuss that but I felt that for the sake of simplicity I would just simply say that it was NOx and VOC's that I needed to offset. But it is ozone non-attainment, it is an attainment area for NO_2.

MR. ABRAMOWITZ: Okay, thank you. In looking at the description that I saw about controls it brought the question up to me, especially in light of some new technologies that I've seen presentations of recently why isn't the project being designed to meet the current LAER limits that EPA has set for of 3.5 ppm NOx?

MR. WOLFINGER: I think that will be addressed. We are submitting an application, Sara Head from ENSR is doing that. Sara, do you want to answer that question?

MS. HEAD: Sure. The project is required to do BACT analysis and a LAER analysis and we will be submitting that to the agencies to review and we will be evaluating the

technology you're referring to in that. What our opinion is in terms of its feasibility for this project.

MR. ABRAMOWITZ: So would I --

COMMISSIONER SHARPLESS: I'm sorry, for the benefit of the public, LAER and BACT doesn't mean much to them. Could you decode the terms so that people in the public know what these acronyms stand for.

MR. ABRAMOWITZ: Sure. LAER and BACT are essentially ways of referring to the most stringent technology that's used and cost effective for these --

COMMISSIONER SHARPLESS: They are regulatory terms established by the regulatory agencies that indicate what emission technology levels different facilities must meet. BACT is Best Available Control Technology and I believe LAER is Lowest Emission Available --

MS. HEAD: Lowest Achievable Emissions Rating.

COMMISSIONER SHARPLESS: Lowest Achievable Emission Rating. LAER is much lower than BACT. So what this -- What Mark is questioning is why are they doing BACT versus LAER.

MR. ABRAMOWITZ: Actually, I think California BACT is basically the same as LAER.

COMMISSIONER SHARPLESS: As federal LAER.

MR. ABRAMOWITZ: And that's what EPA is now requiring. Am I correct then, by you saying that you will be, you will be having the controls as being LAER that since

EPA has already made that determination that the four ppm numbers that we see here are not correct and in fact you will meet 3.5 ppm?

MS. HEAD: No, that's not correct. I mean, the project is proposing to go at 4 ppm; we will justify that. LAER and BACT decisions are made on a project by project basis. EPA is supporting a certain technology, that they think that technology can meet 3.5 parts per million in some instances but not necessarily in every case. It will be incumbent upon us to show whether or not we feel that that technology is feasible in our application.

MR. ABRAMOWITZ: And do you feel that this project is distinguishable from those that EPA has made the LAER determination on?

MS. HEAD: Yes, I do.

MR. ABRAMOWITZ: And in what way?

MS. HEAD: Basically, primarily on size and -- Primarily on size.

MR. ABRAMOWITZ: Okay. So you're saying that the 3.5 ppm is not applicable to this size facility?

MS. HEAD: It's not been demonstrated to be achievable in practice on this size of a facility, that's correct.

COMMISSIONER SHARPLESS: Which technology type are we talking about since we've got a flexible proposal here

that has identified two different types of facility configurations?

MS. HEAD: Okay. Right now we're only talking about the combined cycle facility. The question here is the project is proposing selective catalytic reduction, SCR, as the control technology to achieve 4 parts per million. This question is related to the SCONOx™ technology, which is a fairly new technology that is becoming available and which EPA feels could meet a lower NOx emission rate.

COMMISSIONER SHARPLESS: So this discussion has been involving the gas turbine/steam turbine combined cycle and not the simple cycle?

MS. HEAD: That's correct.

MR. ABRAMOWITZ: So then I take it your slide entitled *Environmental Benefits* which talks about 4 ppm NOx versus 15 ppm on existing turbines only refers to the combined cycle.

MR. WOLFINGER: That is correct.

MR. ABRAMOWITZ: Okay. And it doesn't -- And there will definitely be combined cycle or --

MR. WOLFINGER: No, it may be a -- There might be a peaking plant and that's 9.

MR. ABRAMOWITZ: Okay.

MR. WOLFINGER: And that's probably versus 25 or 30 on simple cycle.

MR. ABRAMOWITZ: Okay. So the proposal may not even in any form at any time met the 4 ppm that you indicate in your environmental benefits slide.

MR. WOLFINGER: That's right. But if I pick a peaking plant it will still have the same amount of reduction of emissions versus that type of a similar plant.

MR. ABRAMOWITZ: Okay. I'll get back to the control technology questions in a moment that I have. EPA, I've heard that EPA is going to be soon revising the 3.5 ppm LAER limit to somewhere between 1 and 3 ppm. If in fact EPA does require that you do meet these LAER requirements is there some sort of contingency plan that you have for meeting those requirements?

MR. WOLFINGER: Are you employed by SCONOx™ or the people that are doing that?

MR. ABRAMOWITZ: No, I'm not.

MR. WOLFINGER: Okay.

MR. ABRAMOWITZ: I've just been doing this a long time.

MR. WOLFINGER: I see, okay. No, there's none. Basically, when you get a permit you get permitted on the technology that's the base at the time it's done. It's not a matter of going back three years later and bringing in some other technology if it happens to be proven to be successful. We're not planning on saying we'll retrofit the plant back to

SCONOx™ if that proves to be a viable technology. No, we're not doing that.

MR. ABRAMOWITZ: Okay. I'm sorry for asking these questions --

MR. WOLFINGER: That's all right.

MR. ABRAMOWITZ: But these are important issues --

MR. WOLFINGER: Sure.

MR. ABRAMOWITZ: -- and some of the things you said I think are somewhat misleading.

MR. WOLFINGER: Okay, sure.

MR. ABRAMOWITZ: Okay.

COMMISSIONER SHARPLESS: Mark, would you identify your organization since the applicant is unfamiliar with who you represent.

MR. ABRAMOWITZ: Right. As I said when I started I'm president of Community Environmental Services. I'm a consulting firm but I also have been active on my own and working with environmental groups for about 20 years, close to 20 years.

COMMISSIONER SHARPLESS: Thank you.

MR. ABRAMOWITZ: That's who I am, isn't that, Ms. Sharpless?

COMMISSIONER SHARPLESS: That's who you've been when you've been around me.

MR. ABRAMOWITZ: Thank you. If you have a simple

cycle operation in which you're only going to be meeting 9 ppm what sort of control are you going to be having for that?

MR. WOLFINGER: Low-NOx, dry low-NOx combuster.

MR. ABRAMOWITZ: Okay. So you would just be using low-NOx burners?

MR. WOLFINGER: That's correct.

MR. ABRAMOWITZ: Okay. You won't be using any add-on controls on that?

MR. WOLFINGER: No, we are not.

MR. ABRAMOWITZ: So there won't be any ammonia technologies?

MR. WOLFINGER: Not in a simple cycle mode.

MR. ABRAMOWITZ: Okay. For the combined cycle have you been looking at other technologies for emissions control that would not use any sort of an ammonia-type technology? I was always a big supporter of SCR but for my way of thinking that's sort of yesterday's technology and there are substantial risks associated with it, with the storage, the transport. High levels of ammonia slip depending upon what levels you want to get down to, the potential for jeopardizing attainment strategies in this area.

I don't know what the development plans are for the area. I mean, we see there's no houses really close by except for there is a school. What are the development -- Is there going to be housing developments right around there and

you have all the other facilities. Have you been looking at these technologies or are you just --

MR. WOLFINGER: The only other technology we've looked at is we have looked at, and it was at the request of, in fact, EPA and the Mojave Air Quality Agency we have looked at a technology called SCONOx™. It's a technology that just recently come out of a laboratory and been placed on a 25 megawatt machine instead of the size machines that we're using. It's been in operation, I believe, for about a year or less. The long term reliability, availability, it's ability to have commercial warranties, liquidated damages, guarantees --

If I pick up a technology and put it into my plant the California Energy Commission, the Mojave Air Quality Agency and EPA will require me to meet certain levels. If I can't do it I have a plant that's not worth anything. So these are all -- It's not just whether it works, it's also the economic bases behind the companies. It's their worth, the ability to provide guarantees, liquidated damages. We have looked at that and we don't believe it is commercially available at this point in time. So that's the other technology we've looked at.

MR. ABRAMOWITZ: If you do go combined cycle though isn't there a similar problem with some of those other technologies depending upon what levels you have to --

MR. WOLFINGER: You mean our SCR?
MR. ABRAMOWITZ: Yes.
MR. WOLFINGER: No.
MR. ABRAMOWITZ: In terms of the very low levels?
MR. WOLFINGER: I believe if -- We believe that 4 ppm is guaranteeable. The EPC contractors, that's the engineer and procurement construction contractors. The people that build turnkey plants are willing to provide and the manufacturers are willing to provide the guarantees to met those levels sufficiently to give us as a builder of these plants a surety that it will be made, that that will be met and it will be met for the life of the plant.

I mean, this is not -- It's not the day you turn on it works, this thing has to work for 20 years, 25 years. You need to have a history behind it and SCR has been around a long time. These levels have been guaranteed in the past and it's shown that over a period of time they can maintain these levels. And that's very important. You just don't want something that's good on day 1 and then is no good on day 15.

MR. ABRAMOWITZ: And with these -- How much ammonia slip are you talking about at those kind of control levels?
MR. WOLFINGER: At the maximum we're looking at ten. As you know, you've been through this before, it starts off very low and as time goes on that slip can increase over a period of time and then it goes back down again then it

increases. So the max slip we're looking at for our permit is 10 ppm of ammonia.

MR. ABRAMOWITZ: What about over the life of the project the maximum slip?

MR. WOLFINGER: That is the maximum slip of the project.

MR. ABRAMOWITZ: That's the maximum slip of the project?

MR. WOLFINGER: Is 10 ppm.

MR. ABRAMOWITZ: Okay. Do you have a risk assessment, a risk management plan for handling the hazardous ammonia on site and transporting it through the planned community by truckload? Where is the nearest ammonia plant that it would be picked up from? Has there been any sort of environmental analysis that you've done on the ammonia issue?

MR. WOLFINGER: Some of that is being worked on now in coordination with the California Energy Commission. This is an aqueous ammonia, by the way, it's not anhydrous ammonia. This ammonia is about five times more strength than what you find in the local Safeway store here. We've gone on that method.

Ammonia is heavily used by farmers in the field. Tanks sit next to people's farmhouses. It is not -- It is certainly a concern, we are going to do the things proper to maintain that it is transported correctly. There are a lot

of state regulations on how the trucks move when it's being done. But this is a very common product, it's used every day, and the primary use of it, okay, is agricultural sprayed directly on the fields by millions of farmers in the United States of America.

MR. ABRAMOWITZ: You mentioned SCONOx™, which is something that I've certainly heard about and I know CARB has had some presentations on that. Have you looked at any other possible control alternatives to ammonia-based technology that might achieve similar or better results?

MR. WOLFINGER: Sara? I don't think we have.

MS. HEAD: No, we have not.

MR. ABRAMOWITZ: Okay. That's all I have, thank you.

COMMISSIONER SHARPLESS: Thank you very much. I would just like to note -- Maybe Mr. Buell will back me up on this -- but some of the questions that Mr. Abramowitz has touched on are part of our environmental review. Such risk assessments are part of what the Applicant will provide the Commission as evidence of meeting the local ordinances, state laws and city/county laws and federal laws in order to ensure the safety and protection of anything that is used in this facility. So, Mr. Abramowitz, I appreciate you bringing these issues forward and the Commission in fact will be looking very closely at this.

MR. ABRAMOWITZ: Thank you very much.

COMMISSIONER SHARPLESS: Okay. Are there any others at this point? Again, I say that you'll have an opportunity throughout the agenda to speak but if you have any questions at this point please feel free to come forward.

ISSUE IDENTIFICATION REPORT

Okay, then moving along I'd like to now go to the part in our agenda where we're going to be talking about the Issue Identification Report and Scheduling. The documents are on the front table here. The Issue Identification Report has been done by the Staff, the CEC Staff and I'd like to ask the Staff at this point to summarize the report and also talk a little bit about the scheduling matters.

MR. BUELL: Yes. The first thing I'd like to say is the purpose of Staff's Issue Identification Report is to identify what Staff terms, major issues on this project. By no means has Staff completed its analysis of the case. We have not determined, done a detailed analysis in a number of technical areas at this point so there's a possibility that we may identify additional issues as we go through the process. There may be a whole host of issues that we haven't previously identified.

The way that Staff has classified significant issues at this point in time are issues that we believe will result in significant environmental impacts. Will the

project, for example, cause significant impacts on ground water use in this basin. Another is, are those impacts difficult to mitigate. Is it going to be difficult to find water supplies, for example, to make up for that.

Another area that we have classified as a major issue category are issues where it's unclear to us at this point in time whether the project will comply with applicable laws, ordinances and standards. Because this is a major problem for the project if we can't find, make an affirmative finding on that. Another area we have identified as a major issue is where we can identify at this point in time there is conflict between the parties or conflicts between the agencies on what exactly needs to be done to license this project.

(Thereupon, tape 1 was changed to tape 2.)

Staff has examined 23 technical areas or subject areas on this project to develop the issue report. That includes such areas as air quality alternatives, biological resources, cultural resources, efficiency and reliability, electric magnetic fields and health hazards associated with transmission lines, facility design, geology, hazardous material handling and there's a number of other issues. I won't go through that, they're identified in the Staff's issues report.

Of those 23 subject areas Staff as, I believe Rick earlier identified, has identified 5 that we believe are major issues in this case. Those are air quality and land use and visual resources and water resources as well as transmission line system engineering.

The first slide I would like to get is regarding air quality. Staff has identified three major issues under air quality, they are Best Available Control Technology, what constitutes BACT or Best Available Control Technology for this project. We have asked the Applicant data requests on his point related to the SCONOx™ project, which is the Sunlaw --if I get the name right--carbon dioxide and NOx emission control technology or something similar to that. Trying to clarify what is BACT for this project. Normally BACT determinations or best available control technology determinations are made by the local air pollution control district and also the US EPA.

Another issue area that we've identified on this project under air quality is the topic of emission reduction credits, sometimes referred to as emission offsets. In this case the issues that we have concern about is that we have a complete understanding of what the applicant is actually proposing to -- how the Applicant is proposing to offset this project.

Specifically, the issues related to offsets in this

case are typical of what you would find on most cases with one exception and that is that the Applicant is currently proposing to use, to their credit, interbasin offsets. But this will be the first project, as I understand it from US EPA -- The Environmental Protection Agency, I'm sorry for the use of acronyms, we have a tendency of falling into that bad habit, particularly in the area of air quality. This will be the first project where we've used interbasin offsets anywhere in the United States so it is a landmark case in that context and certainly the criteria for proving those offsets, use of those offsets has not been established previously so it's going to be difficult to do that.

Another area of significant issue that we've identified on this case is related to the prevention of significant deterioration application that is made with, again, the US EPA. This regulation applies to attainment pollutants and the idea behind the regulation is to ensure that a project did not exacerbate or cause a new violation of an ambient air quality standard that hasn't previously been identified. Local air pollution control districts such as the Mojave Desert AQMB or Air Quality Management District deal primarily with attainment pollutants or non-attainment pollutants such as ozone and -- I believe that's --

MS. HOUGH: And PM10.

MR. BUELL: And PM10 are the two pollutants where

we have violations in this area.

Regarding the federal prevention of significant deterioration application the Staff is concerned about a number of issues. One is we were concerned about when the Applicant would actually file an application with EPA. It was unclear as to what the schedule for approving that permit would be and how that might affect the decision on this case. The Applicant, I believe, earlier identified that they intend to file an application at the end of this month, the end of January, so that alleviates at least in part Staff's concern in regard to the prevention of significant deterioration permit application.

We're also concerned about the quality of meteorological data that is available in the Victorville area and how well that might represent for EPA a background of meteorological conditions, and this is critical for the analysis the EPA will have to review on this project. That is a determination for EPA to make and since EPA is now involved in this we're more confident that we'll be able to address that issue in a timely manner in this case.

Implications for a project schedule: During the data adequacy phase of this project the issue of the Applicant describing its offset proposal for this case was an issue amongst the parties. There was concern about how it would affect both the district's determination of compliance,

which is alternate more or less to an authority to construct permit and how it might affect therefore Staff's preliminary Staff assessment.

Looking at the schedule on this project Staff -- the Applicant is to provide his information on offsets to the district on March 20th. The district has identified that they can provide their preliminary determination of compliance, also known as a DOC, by April 20th. Given that there is normally a 30 day review period for parties such as the public, other agencies such as the Air Resources Board, the US EPA and the Commission Staff to comment on this district's preliminary determination of compliance. It's critical in this case that that be done in a timely manner because of the tight schedule here.

We are in a unique situation in this case in that Staff has the luxury of having a month before we file our Preliminary Staff Assessment after the filing of a DOC. Quite often in the past, despite the Commission's regulations requiring determination and compliance earlier in the process we've often filed Preliminary Staff Assessments without having the luxury of having a DOC. So in that context, although there's a short time frame between the two and it's going to be difficult to completely analyze the Preliminary Determination Of Compliance it looks good in this case to have that this early in the process. Again, I encourage the

Applicant to do everything in his power to identify that offset proposal as soon as possible in the process to ensure that we can actually meet these schedules.

The final DOC is due on June 19th of this year. Again, I want to emphasize that getting timely comments from ARB, the Air Resources Board, and US EPA, the Environmental Protection Agency, will be critical to the district being able to respond in the 30 to 60 day period to revise its preliminary to make it a final Determination of Compliance. Staff's Final Staff Assessment is due July 15th. Again, we have approximately a month to incorporate the final DOC in our process.

This kind of is the Staff's proposed schedule for the project and you'll note the dates that I have just mentioned are on here. A couple of things that I'd like to note is on January 16th data responses are due from the Applicant. The Applicant has postponed some or requested a delay in submitting some data requests on the topic of emission offsets, for example. They've identified that they'll provide those by March 19th, if I'm not mistaken. There's a few other areas where the Applicant has identified that they would be unable to provide timely responses Staff has requested by January 19th or 16th, that's tomorrow.

For the most part Staff at this point in time does not believe that the Applicant's delay in providing data

responses will affect Staff's schedule in meeting the PSA or the Preliminary Staff Assessment so we don't see that that is a problem but again I encourage the Applicant to keep on schedule.

One of the other things that we'll note on this schedule is a new item, it's marked in gray, it was not in the Staff's Issues Identification Report, it's the completion of what is called an interconnect study. It's a study that's conducted for transmission line connections for this project. It will be conducted by the Edison Company -- Southern California Edison Company. It is an item that is of some concern and it's one of the other major issues that Staff would like to talk about today.

The purpose of the transmission system in the interconnect study is to ensure reliable operation of the transmission line system. The ISO, also a newly formed organization--and ISO stands for Independent System Operator. This is a quasi-public agency that was established as a result of the electricity industry restructuring efforts here in California. And it's responsibility -- One of its responsibilities is to ensure reliable operation of the transmission line system. They will have a major role in reviewing the interconnect study for this project.

That interconnect study is supposed to, one, identify whether or not the project addition of nearly 700

megawatts will adversely affect the electricity transmission line system reliability. We don't want this project to cause outages or to cause overload conditions that might cause transmission lines to come out of service. Another major function of the interconnect study is to determine what mitigation would be required to mitigate those effects should they be predicted to occur. As I indicated earlier the Southern California Edison Company, also known as Edison, will conduct the study.

Stakeholder comments. We had a very good workshop, I would say, a week ago today on the eighth of January to talk with various parties that may be affected by this project. Again, that would be the independent system operator or the ISO, the Applicant was present, Edison was present, and we had a good discussion on how we get this study started. This is an issue that Staff had not previously appreciated the complexity of the issues that needed to be addressed by the study or the time that would be necessary to--the time that would be necessary to complete this study. But I think we got off to a good start with the workshop.

The Applicant has suggested and has already sent out a letter to the stakeholders--meaning those parties that may be affected by this project--of the project and asked for their comments on what they would recommend the interconnect

study to evaluate. Those stakeholders may include some 200 different parties, not only here in California but outside of California because there's other companies that provide power to California such as Arizona Power and Light and other entities up north, which I can't remember all the names right now.

The idea is to get all their comments so that we do a complete study and that we have addressed all the concerns of those parties. Comments back to the Applicant and to the Commission and the ISO are due on January 23rd as the Applicant has proposed and as their letter suggested.

The Applicant and Edison are in the process as I understand it as a result of the workshop discussing amongst themselves the scope of the study and any contractual arrangements they have to enter into to have that study conducted. That is taking place this week, possibly next week, and we would expect that agreement to be finalized such that the study can begin possibly as early as February 1st of this year.

We're estimating, based upon our discussions with the Edison Corporation and others that it is approximately 14 (sic) weeks to the initial power flow study analysis and this would basically be the portion of the analysis that identifies what the impacts to the transmission line system would be. We're estimating that it may take another 16

weeks, based upon our discussion with Edison, to actually evaluate alternative mitigation measures and actually determine what the best mitigation might be for this project. That would leave us with a final interconnect study approximately on May 25th. Now, the Applicant may --

COMMISSIONER SHARPLESS: Mr. Buell, could I ask a question along those lines?

MR. BUELL: Yes, certainly.

COMMISSIONER SHARPLESS: Since we have two possible technologies that might impact the transmission system differently how do you deal with the fact that the Applicant has not yet identified and would like to remain flexible for a time? How is this study going to go forward? Is it going to go forward looking at the impacts from both sets of technologies?

MR. BUELL: That's a very good question. I planned to address it a little bit later but I'll address it now. It basically is that the -- At the workshop we had last week that was specifically a question of the Edison Corporation, what do you want us to analyze. I don't know -- I can't speak to --

COMMISSIONER SHARPLESS: Because one is a base load and the other is a peaker it will affect how the transmission lines are going to be affected, will it not?

MR. BUELL: Yes. And although I'm not -- Based on

our internal discussions, at this point in time we're not completely sure whether you couldn't do a single analysis that would incorporate all of the overload conditions assuming a worst case scenario. In other words, the maximum generation of the facility.

COMMISSIONER SHARPLESS: But if you do a worst case scenario and then you mitigate to the worst case but the Applicant doesn't have the worst case then they're asking them to over-mitigate.

MR. BUELL: Right, exactly.

COMMISSIONER SHARPLESS: And it has an economic implication.

MR. BUELL: That is precisely, I think, the concern that Staff has.

COMMISSIONER SHARPLESS: I would think if I were the Applicant I wouldn't want to do, necessarily, a worst case.

MR. BUELL: That may very well be an option that -- The Applicant needs to negotiate with Edison on what is the design of the study. Specifically they may ask Edison to conduct three interconnect studies, one for each of the three scenarios. That may be a way of addressing the three configurations on this project.

COMMISSIONER SHARPLESS: If you have more than one scenario does it -- You said 16 weeks. Would it extend the

period of study time?

MR. BUELL: I would suspect that it would. I can't speak for Edison and I don't believe we have a representative here today that's prepared to speak on that topic.

COMMISSIONER SHARPLESS: Okay, thank you.

MR. BUELL: Caryn wanted me to also add that a great deal of this is dependant upon the ISO's needs in this project also. That since they are going to be ultimately approving the interconnect study or the interconnect agreement that they may have some opinion also on what analysis needs to be done for this case.

MS. HOUGH: I specifically asked representatives from the Independent System Operator at the workshop last week what the extent of their review would be, how it would take place and when it would take place. And as of the workshop last week they didn't really have a firm idea yet because of the fact that they're still getting going. So that's, you know, one potential fly in the ointment in terms of schedule.

COMMISSIONER SHARPLESS: But they know what our schedule is.

MS. HOUGH: They do.

COMMISSIONER SHARPLESS: So can we hold them to a schedule?

MS. HOUGH: I'm sorry? Can we hold -- Obviously,

we can't tell them to make a decision that they are not prepared to make. The question that may ultimately arise for the Committee is how do you proceed with a project for which you don't have, for which ISO approval of an interconnect study is still pending. That may be a question for the Committee as you go --

COMMISSIONER SHARPLESS: For the benefit of the audience, we haven't had to deal with this in the past because there wasn't an independent system operator. This is part of the outcome of deregulation so this is, as the Applicant has said, the first project where we're dealing with a lot of issues that we didn't have to deal with in the past.

COMMISSIONER LAURIE: Question, Commissioner Sharpless.

COMMISSIONER SHARPLESS: Yes, Commissioner Laurie.

COMMISSIONER LAURIE: Ms. Hough, can we complete our environmental analysis without the ISO study? Without the ISO agreement, I'm sorry.

MS. HOUGH: What I envision the ISO's involvement to be would be approval of the interconnection study. Now, since the interconnection study may need the, may identify need for additional transmission facilities -- Typically, the Commission wants to review the environmental impacts of construction of those additional facilities as part of the

project so we're going to need to have some sense before licensing of whether or not additional facilities will need to be constructed and if they are what the environmental effects of the construction would be. Because that's part of the project that the Commission is responsible for reviewing under the California Environmental Quality Act.

Now again, that's not to say that -- I'm not saying at this point that the Commission must have ISO approval of an interconnect study, perhaps you can have preliminary indications of what's going on. But you may have to address the question of how far along in the ISO does the ISO have to be in their process before you can issue your decision. Because we're not certain what their schedule is going to be and there is a potential for identification of additional needed transmissions.

COMMISSIONER SHARPLESS: Did they commit to us at the workshop that they would provide us with a schedule and give is an indication of how long it would take them or when they would start it and when they might be completed? Even though we have no authority over them.

MS. HOUGH: They did say they were working on it but they didn't tell us when they'd get it to us.

MR. BUELL: I have a few slides that kind of go to all these questions that are being asked so you might just pick up here. They kind of talk about what the implications

to the project schedule might be as a result of this new information about the interconnect study.

The first thing Staff would like to point out is we were actually able to gain a perfect study from Edison and the Applicant we would be able to incorporate those findings in our FSA in July of this year. In other words, we wouldn't miss providing any preliminary analysis in our Preliminary Staff Assessment, which is an important point to make.

A second point is that if the study is indeterminate--in other words, if there's a lot of questions that the various parties might have on it and there's a lot of players, as I said, there may be as many as 200 stakeholders that may have an interest of the interconnect study--what additional facilities have been identified. And if there's an indeterminate study --

COMMISSIONER SHARPLESS: Excuse me, Mr. Buell.

MR. BUELL: Yes.

COMMISSIONER SHARPLESS: Who those 200 stakeholders be? People that are also on the transmission line?

MS. HOUGH: There's people who own transmission rights who could be possibly affected by the operation of this project. I'm not sure that we know exactly how many there are, we're in the process of attempting to identify them.

MR. BUELL: Right. I had docketed last week a list

that the ISO had provided us of various parties. It's the Western Energy Planning --

MR. WELCH: Western Regional Transmission Association.

MR. BUELL: Can you say it?

MR. WELCH: Western Regional Transmission Association.

MR. BUELL: Right.

MR. WELCH: And the Southwestern Regional Transmission --

COMMISSIONER SHARPLESS: Are they WRTA and the WSECC, those guys?

MR. WELCH: It's WRTA members.

COMMISSIONER SHARPLESS: WRTA, okay.

MR. BUELL: So if there's a problem in getting what we'll call an indeterminate study then the PSA is likely to be delayed beyond that for the topic of transmission line engineering. Again, the timing of the ISO's review and approval is uncertain. We really don't know, as Caryn pointed out, at the workshop the ISO does not know exactly what their process is at this point in time. Certainly we would intend to try to work with them to try to help define what an acceptable process is, on our integration of our two processes is in this case.

HEARING OFFICER VALKOSKY: So, Rick, if I could

interject just for a second. Under your most optimistic scenario, your perfect study, that would not necessarily be a study which has had ISO approval then; is that correct?

MR. BUELL: That's correct.

COMMISSIONER SHARPLESS: That would be the Edison study?

MR. BUELL: Yes.

HEARING OFFICER VALKOSKY: Right. But since the FSA, the Final Staff Assessment generally constitutes testimony in the case then we could get in a situation where Staff would be submitting its testimony in the form of the FSA based on the perfect study. But we still wouldn't know what the ISO was going to do, what the ISO's reaction to that perfect study was, right?

MR. BUELL: That's correct.

HEARING OFFICER VALKOSKY: Okay.

MR. BUELL: Again, if new transmission facilities are required--I'll call that major facilities because I don't know that this would necessarily be true if we were simply to add a transformer in the process. Excuse me, I think I'm ahead of myself. Any new transmission facilities required for the project the ISO would have to file with FERC, which is the Federal Energy Regulatory Commission for approval of those. And again, the FERC process for review and approval is unclear to Staff at this point in time.

One thing I would say on this point is that if the project does or if the interconnect study does require major transmission facilities that it would not necessarily include our environmental review of those. I would call major transmission facilities new transmission lines versus the addition of transformers, which would be less of an environmental consequence. But that could add up to 60 days to our environmental review of the process.

Staff recommendations on how to perhaps expedite this process is simply that Edison and the ISO and the Applicant do everything in their power to expedite the study. The second possibility is to review interim products and provide comments to the Applicant and Edison and the ISO on those interim products.

That could be, include such things as the initial interconnect studies that I mentioned, the base case that it would evaluate, what the potential overloads that might result on this project are. That would be a good starting point. It would provide a great deal of information to all the parties on what the consequences of this project are. And as available we may, it may be appropriate to also look at some aspects of the study that examine mitigation on the project.

Another possible way is to try to encourage discussions of the issues at workshops prior to actually

receiving a final interconnect study. And also I would suggest that we provide both, all the parties provide periodic status reports to the Committee on the progress in completing the interconnect study.

COMMISSIONER SHARPLESS: These steps are not necessarily mutually exclusive?

MR. BUELL: No.

COMMISSIONER SHARPLESS: You could be recommending that all of them are done?

MR. BUELL: Yes. One last step that I don't think is on this is simply for Staff to work with the ISO and perhaps even the Committee to work with the ISO to gain their involvement in our process and to try to ensure that we have a timely decision from them.

COMMISSIONER SHARPLESS: Does the ISO have a name, a person?

MR. BUELL: There is a number of people that we've talked with at the ISO.

COMMISSIONER SHARPLESS: But is there a person responsible for this area?

MR. JOHNSON: Armi. I believe his name is Armi Perez.

COMMISSIONER SHARPLESS: Armi Perez?

MR. BUELL: Yes. Armi is the head of the planning unit, as I understand it, with the ISO, he has a number of

people that work under him. One of them is Steve Mavis, who is leading up a group that would be analyzing this project specifically. And we had two gentlemen whose name I forget that attended the workshop last week but I can check on those names if you're interested.

COMMISSIONER LAURIE: Commissioner Sharpless, a question of Mr. Buell on this point.

COMMISSIONER SHARPLESS: Yes.

COMMISSIONER LAURIE: Talk to me about ISO jurisdiction over this question. And I have to admit to a degree of perhaps lack of understanding to even confusion about it. ISO is a private entity, it is not a governmental entity. Is it clear in your mind that the ISO has legal jurisdiction to mandate improvement requirements over a merchant plant project?

MS. HOUGH: Maybe I can address a little bit of that. I would be the first one to confess I'm not fully familiar with all the jurisdictional boundaries but my understanding is the starting point is that the legislation that enacted restructuring, AB 1890, is quite clear in stating that the intent of the legislation was to transfer authority for system reliability from the utilities and the PUC to the independent system operator.

The control agreement that has been filed with FERC but is not yet approved--and it's a generic control

agreement, it is my understanding there will be individual ones for each utility --seem to also reflect that. Utilities are responsible for providing interconnect studies for anybody who wants to access the system that they own. If there is, a result additional transmission facilities needed and it's deemed necessary by the ISO to get a FERC order then the ISO must file a request for an order with FERC, the result of which would be an order from FERC to the transmission owner to construct the upgrade.

To me that advances a pretty clear intent to have the ISO making those decisions. The role of other agencies such as the Energy Commission and the transmission owners in that process I think is yet to be fully worked out. I believe, as I said, that there are going to be individual control agreements with the utilities, I haven't seen those, between the utilities individually and the system operator I haven't seen those. I have not seen any portion of the control agreement that references the Energy Commission's role in any of this process so I think there probably are a lot of unanswered questions. But as a basic premise I think it is the system operator that does have jurisdiction over system reliability.

COMMISSIONER LAURIE: Can you give me any other instance -- Strike that.

Can you give me an example of some other instance

where a non-governmental agency has jurisdiction to mandate improvement requirements on a private project?

MS. HOUGH: Not off the top of my head I can't but I'm mostly familiar with things just within the CEC's jurisdiction.

COMMISSIONER LAURIE: And in your discussions or the Staff's discussions with all the applicants that have applications today are applicants assuming for purposes of their plans that the ISO does have that jurisdiction?

MS. HOUGH: My understanding, I think it's come up also with regards to the Sutter Project and maybe Roger can help me on this. But my understanding is that there is also similar kinds of discussions with the ISO and other transmission owners in that project as well. So there does seem to be -- To the extent that that represents an assumption, yes.

MR. JOHNSON: Caryn.

MS. HOUGH: Yes.

MR. JOHNSON: Not on the entire project, that's with the WAPA, the interconnection into the WAPA system, which I don't believe is part of the ISO. I'm not sure.

COMMISSIONER LAURIE: Thank you.

COMMISSIONER SHARPLESS: Commissioner Laurie, along those lines, do you believe that the Committee should instruct the parties in any way to pursue some of these

issues so that we have a better grounding as to what we precisely need, steps that we might precisely need to take? Letters written, meetings held, whatever, so that this issue that is one that we have not dealt with in the past that needs to be -- Perhaps because it is new and is a frontier issue needs to be dealt with in a careful and special way. Do you believe that we should be at this point directing further steps than what Staff has indicated here? I'd like to hear from the Applicant as well because the Applicant has limits on what they can do when they're stuck in the morass of trying to work with multiple agencies.

COMMISSIONER LAURIE: Thank you. Commissioner Sharpless, yes, I do seek that clarification unless the rest of the world knows a lot more than I do on this issue and I'm not satisfied that the rest of the world does know a lot more than I do on this issue. It is unfortunate that any one particular applicant is entering into the frontier on any given question but you can't do anything about that, that's simply the way it is.

I think it is critical that we seek a clarification over those jurisdictional questions. It is a major issue in my mind. Frankly, as I sit here today, I don't understand it, I don't understand. And there may be a very simple answer but I don't understand how a non-governmental agency can mandate improvement requirements over any other

individual or entity. Again, it may be a very simple point that I just education on but it is certainly an issue that to me requires clarification.

HEARING OFFICER VALKOSKY: Commissioner Laurie and Commissioner Sharpless, I might suggest rather than trying to exhaust this issue now, which I'm not sure we'll be able to, that it may be beneficial to direct the parties to explain the existing transmission jurisdiction and the avenues for gaining the necessary approvals along with suggesting the steps that the participants of the Committee may take in order to clarify the jurisdiction, clarify the procedures to be used, suggest any help the committee may be able to provide participants in this process.

What I'm suggesting is give the parties time to think about this. They could responses as written responses in ten days or two weeks. We'd then have the benefit of some more thorough thinking, I think, on this matter as well as --

COMMISSIONER SHARPLESS: I'm not sure what the Applicant can necessarily do in this arena. It really is a jurisdictional government issue and how to approach more specifically the ISO and FERC --

MS. HOUGH: I think it's both a jurisdictional issue and then there's also, once you get the sort of the jurisdictional boundaries clarified you've got to set up some kind of a process where the two reviews can take place in

some way that's coordinated.

COMMISSIONER SHARPLESS: That's what I'm looking for.

MS. HOUGH: So I think there's both aspects to it.

COMMISSIONER SHARPLESS: So we have something that we have that's a little bit more concrete.

MR. WOLFINGER: Can I?

COMMISSIONER SHARPLESS: Yes.

MR. WOLFINGER: As the Applicant I'd like to -- a couple of things. Number one is, it should be understood by the public and by the Commissioners that in fact a detailed power flow study was done on this project and was submitted. It identified certain issues but this is not a new topic. I mean, this is something that's been studied and studied well. We picked this site because in fact there is some transmission capacity available into the Southern California area so it's not a new issue.

Number two is, constraints in transmission systems exist all the time. The fact that a constraint exists does not necessarily mean that the answer is to add new facilities. There are lots of ways to handle it. FERC has suggested many, many of them. Many of them are monetary in nature. If a constraint is put in then the person creating the constraint will pay for the incremental power cost of having higher cost power than lower cost power put in and he

pays for it.

There are a lot of ways of handling things that don't mean you have to put in capacity and other things. And this is so -- It is a complex issue and there are also a lot of ways that this could be handled, potentially for a period of time without adding facilities and then you could add facilities later.

Plus I think jurisdictionally you have an issue. I believe it will default to the way business has been done in the past, which is, Southern Cal Edison will do an interconnection study, they've done them thousands of times--well not thousands, that's an overstatement--many times, and they'll figure out what needs to be done and we'll work it through. It doesn't necessarily mean that the constraint is bad, this is done all the time.

COMMISSIONER SHARPLESS: I didn't want to imply that and I appreciate your view of how you see the transmission issue evolving. I think what we're really dealing with here is how do we get the parties that need to sign off to be a part of the study. To be into the study, to be into it in a timely way and to get approval. In the past we were dealing with fewer parties, now we're dealing with more parties and there is a jurisdictional issue. And we just don't want this project to get hung up on a new jurisdictional issue, that would be unfortunate.

So rather than wait and let it happen why don't we try to work it through in the front end of the process and see if we can't get people to agree what's going to happen and what needs to happen in order to get the approvals. So I guess I would agree with what Mr. Valkosky has indicated in terms of perhaps we can all get together and see what we think needs to be done. Staff has given us sort of a broad outline, maybe we could get something more specific. Okay, if we're going to do workshops -- If we need to do workshops what's the timing of that. How do we get the ISO involved. How do we get the ISO to make certain commitments to time and potential review and when and how is all that going to happen.

MR. THOMPSON: If I may. I think we believe that the vast majority of issues that will be handled in a case like this benefit from public scrutiny and public input. But given that Southern California Edison knows its system better than anybody else and given that they've performed these interconnection studies every time a new plant has gone in, basically, and we are not yet in a contractual situation with them, we have talked to them, we have not sat down at the table, we have not discussed what the scope would be or the price or the terms or anything else. We want to be careful that we don't start negotiating in a public forum.

And while we are happy to provide input into the

process and we started that process last week by sending out letters to the potential stakeholders to get their views of what Southern California Edison should consider in this study we may have some reluctance to open up that contractual relationship or open up the contractual give and take. Now having said that, we believe that these issues will solve themselves. The ISO has been in existence now for 15 days.

COMMISSIONER SHARPLESS: Well, actually longer.

MR. THOMPSON: Well, longer than that. But the ISO will be the first person, the first entity to tell you that they don't have the manpower or the time to do now what their mandate tells them they should be doing. And at our meeting the ISO said that they would be looking over Edison's shoulder and coordinating -- I think that they mentioned that they'd be coordinating with Edison. We're more than happy to respond to a list of questions if that's what is going to come out of the Committee.

COMMISSIONER SHARPLESS: No, it wasn't questions. I think it's more of looking at this issue and trying to say, what are the issues and how are we going to, from a procedural standpoint, deal with them.

HEARING OFFICER VALKOSKY: I didn't detect anything that would influence your contractual arrangements with Edison. My grasp of what the Committee is looking for is basically a clarification of the steps that we have to go

through in a multilayered jurisdictional process. Especially in light of the fact that we can get not too many months down the line in a situation where we have you and Staff and the other parties giving us one view of the transmission system impacts and the Committee can be sitting saying, well, we should hear from the ISO. The ISO may or may not be there to provide some input.

And at that point I think the question becomes the extent of the Committee's legal authority to act, potentially in the absence of any determination by the ISO as to the sufficiency of the interconnection in related studies. I believe that's what we're trying to address at this point.

COMMISSIONER SHARPLESS: Yes.

MR. THOMPSON: Okay. I apologize if I was off base.

MS. REYNOLDS: Hi, Lizanne Reynolds from CURE. I just wanted to make a comment.

COMMISSIONER SHARPLESS: Would you like to come up to the microphone, please.

MS. REYNOLDS: Sure. Lizanne Reynolds with CURE, the Intervenor, or one of the Intervenors in the process. We would just like to make our position clear that we do think that the method of the interconnection study and what's going to go into it should be part of the public process. We think it would benefit from that so we're not getting an end

product and then saying, well, we don't like this aspect of it. We do agree with Staff's recommendations to get interim products and to hold workshops and things like that. I just wanted to clarify our position on that issue.

HEARING OFFICER VALKOSKY: Okay, thank you.

COMMISSIONER SHARPLESS: Stan, would you like to address that, then.

HEARING OFFICER VALKOSKY: Okay, thank you. Right now and before we move off the matters that we were just discussing with Mr. Thompson I sense that the Committee would like some written guidance or at least written suggestions concerning the clarification of the jurisdictional process. The steps that the Committee and the parties may likely have to take as well as an identification of options that the Committee may have to act both on its own and in conjunction with the ISO. And again, in conjunction with the ISO I would like included both whether the ISO can make its reliability determination in a timely manner and whether the ISO cannot some months hence make its reliability determination.

I'm not looking for definite answers because I don't think there probably are any right now. I'm looking for suggested paths, some clarification. I'd like to give the parties a chance to educate the Committee on their views of this question. Okay, is --

COMMISSIONER SHARPLESS: Stan, you said whether or

not the ISO will make its reliability determination. Isn't there even an issue about whether or not we need their reliability determination?

HEARING OFFICER VALKOSKY: I'm sorry, yes.

MS. HOUGH: I think that's -- Yes, you've got several, you've got several levels there.

HEARING OFFICER VALKOSKY: Right.

MS. HOUGH: You've got whether or not the ISO is in fact ultimately responsible. Commissioner Laurie has expressed some concern about the ability of a non-governmental agency to be able to direct private parties. But even if it were determined -- So that's one level, is that in fact the case, do they have the jurisdiction. The second question is, if they do have the jurisdiction what does that mean for the Commission.

COMMISSIONER SHARPLESS: Right.

MS. HOUGH: Is that something that they have to wait for to issue a decision? Is that something they can issue a decision -- can they issue a decision in a case without --

COMMISSIONER SHARPLESS: We just inform them and go on our way.

MS. HOUGH: Right. So those are -- Those are both questions that are not yet answered.

HEARING OFFICER VALKOSKY: Right. And those are

certainly two of the primary questions we'd like you to address.

MS. HOUGH: Are you asking for legal briefs in ten days?

HEARING OFFICER VALKOSKY: Eventually I will. My next question -- My next question is, how much time do you think you'd need to address these questions? And I will ask this of each of the parties.

MS. HOUGH: Well, if you're asking, if you're asking how long it would take to address those two questions it really depends, it really depends on the level of detail that you want us to go to. If you want us to go to the level of brief that we would be doing if we were involved in litigation it would take an awful lot longer than ten days. If you're asking for a thumbnail sketch of what we think the legal issues are and some possible answers or solutions I think we probably could do something in ten days to two weeks. It really depends on the level of detail and level of legal analysis that you're looking for.

HEARING OFFICER VALKOSKY: Mr. Therkelsen.

MR. THERKELSEN: Yes. Commissioners, let me say that we have --

MS. SHAPIRO: Bob, identify yourself, please, for the record.

MR. THERKELSEN: This is Bob Therkelsen from the

California Energy Commission. We have started in some discussions with the ISO on a generic level in terms of what the relationship is between their organization, and they are sort of a pseudo-governmental organization, and the Energy Commission. We're trying to determine what the planning and the permitting processes should be and the relationship is between any analyses they make and any determinations we make in a siting case.

Right now we're scheduled to meet with them on in informal basis, I believe it's scheduled for the end of next week, and we will have a series of discussions with Armi Perez and others of their staff to determine these relationships. My guess is we could give you a status report in probably two, two and a half weeks in terms of what our discussions are and what direction they're going.

In terms of any decisions in terms of what findings they would make, time schedule they would make, my guess is we're probably looking at a time period of probably six weeks before we would have that. The reason I say six weeks is because you know they're in the midst of trying to get the competitive market going and they are totally preoccupied with that. We've been able to contact some of their staff and work with their staff but some of the higher people in the organization are going to need to make some decisions on this so that would be the time frame I'd recommend.

COMMISSIONER SHARPLESS: Well, that seems to feed into our request then. It starts off at a more generic level emanating out of discussions about the jurisdictional issues and as we, as we get greater clarity to that we may need to go to the next level if it becomes apparent that there might be a disagreement over those jurisdictional issues. How do you feel about that, Commissioner Laurie?

COMMISSIONER LAURIE: I absolutely concur. There's two really important questions in my mind beyond the mere jurisdiction of the ISO in regards to their legal mandate as applicable to our project processing. When we do -- When you do your environmental analysis you have to include an analysis of the project in its entirety including its transmission elements.

MR. THERKELSEN: That's correct.

COMMISSIONER LAURIE: If there is some condition that's part of the process that requires an agreement with some third party that has the legal right to impose new conditions which themselves could have a different environmental impact then that has to be included in our process. So we're hung up and that creates a major concern of mine.

MR. THERKELSEN: And let me say this. I don't think the ISO envisions ever putting any condition on any generator, per se. Their conditions that they would be

putting on somebody would be on the transmissions owners, Southern California Edison in this instance. They then would be working to make sure that Southern California Edison is not doing something in terms of how they interconnect or how they allow a generator to operate on the system that causes the system to be unreliable.

And if there are mitigations that are required to make the system reliable they may require Southern California Edison to put in a new bank of transformers, they may require them to put in a new line, etcetera. That's how the ISO, I'm assuming, would make their determinations on what's required in system reliability and their determinations on whether or not this project could connect and operate in the manner that the Applicant is proposing.

COMMISSIONER LAURIE: And do the environmental impacts of that addition or modification of the transmission lines have to be examined as part of this project approval?

MR. THERKELSEN: Right. And we would need to make sure that we, A, understand what those additions are, and B, make sure that we have adequate time to look at the environmental implications of that. Now in some cases those additional facilities will not be under our regulatory jurisdiction. We will look at them from a CEQA standpoint, from an environmental impact standpoint, but some other entity may ultimately have to condition that facility in

terms of its permitting jurisdiction.

But all of those are details that we need to work out with the ISO. Our ultimate goal is to have an MOU with the ISO explaining those relationships. I don't think that will be possible in a generic sense on this case so we're going to have to deal with this on this case, and frankly, on the next couple of cases to make sure that it works in the time frame so that we're not holding up applicants.

COMMISSIONER SHARPLESS: Okay. I'm looking at the scheduling, tentative scheduling, and it appears that on February the 20th there's a status report and on March 23rd there's a status report. Perhaps this issue could be highlighted in those status reports for those particular times so that we can stay on top of and track very closely and identify what issues we need to deal with after you've gone through your discussions. It also gives the Applicant an opportunity to respond in any way that they would like to regarding how the process is going.

MR. THERKELSEN: I think that's very appropriate but I will also commit to you that if we find anything strange and wonderful in our discussions that we will let the Committee and the Applicant and the other parties know as soon as possible. We won't wait for February 20th.

COMMISSIONER SHARPLESS: Fine.

MR. THERKELSEN: We will let you know.

COMMISSIONER SHARPLESS: Good, okay. Staff, why don't you round out your issue discussion.

MR. BUELL: I think that completes our discussion on transmission lines. The next slide identifies what I call other major issues. And I don't want to imply that these are lesser issues necessarily but they are other because they come after our discussion of air quality and transmission lines.

Regarding land use on this project Staff is concerned about aviation safety hazards because of the project's proximity to the runways at the Southern California International Airport. The Applicant has -- Staff has asked for additional information and the Applicant has promised to provide us a copy of their FAA application, which will address a number of issues that Staff is concerned about, stack height for one and also visible plumes across runways or other issues that we're concerned about.

Regarding visual resources on this project Staff has identified that there's a potential for some significant visual impacts, primarily due to both the power plant and the transmission lines on the golf course that's on the airport site. Also, to travelers along El Evado Road and to the city of Oro Grande.

Another issue area is one that we've talked about extensively already today, is the issue of water resources

and water supply. Staff has identified in their issues report that we're concerned about how this project would potentially impact this water basin. It is, as I think others have already implied, an adjudicated water basin, meaning that the water manager who has been assigned to this area is responsible for evaluating the uses of water in this area and to try to maintain or limit the impacts on ground water.

The Applicant has also proposed to use ground water as a backup water supply for this project and Staff is concerned about potential implications of that, although it is primarily envisioned for cases where the State Water Project water supply would be interrupted approximately two weeks a year.

The Applicant has also identified that during drought conditions there may be up to three years where they would rely on ground water as a backup water supply for the project. There is potentially significant impacts resulting from that. Staff and Applicant need to work with the water agencies that are involved in approval of this water use and determine what the appropriate mitigation measures are and alternatives that may exist to that proposed water use here.

I believe Commissioner Bob Laurie asked the question about the timing of the water agency's approval for this water use. As of this moment Staff is not aware of what

the timing is. We tried to find out that information prior to this Informational Hearing but we were unable to contact the water agency in time to get an answer for you on that.

Another group of issues that we, Staff, has identified on this case are what we're deeming policy issues. Decommissioning refers to the decommissioning of a power plant. At some point in time a power plant will complete or become no longer economic to operate. And we're concerned based upon some recent histories that we adopt appropriate conditions at this point in time that would dictate how that decommissioning can come about in the process. It's also a new issue in some respects for the Commission to deal with this issue in terms of merchant power plants. Primarily we haven't dealt with that class of project owner. Previously it's been utilities, which we all know where to find Edison, usually.

Another major issue that we've touched on at various times today is the issue of multiple project configurations. And it does have the potential to affect the type of analysis that Staff will conduct on this case. For the most part Staff intends to evaluate the three alternatives that the Applicant has proposed. We'd address the impact from all three configurations or what we're terming an envelope worst case, for example in the area of air quality, to look at the worst case air emissions in terms

of evaluating air quality impacts. Nevertheless there's significant policy questions possible on what is the Commission's authority to license a project with multiple configurations or how we would go about doing that.

Those are the major issues that we've identified on this case at this point in time. That doesn't mean that we won't identify more issues as we receive responses from the Applicant's, the data requests we asked of the Applicant or as we review the issues on this case.

I think as we've already talked about the Committee I think is proposing to have periodic status reports or hearings that would update the Committee on what is taking place in the process, how successful we're being in conducting the analysis. Staff concurs with those as an appropriate method of keeping you informed and as Bob Therkelsen indicated, if something important comes up we'll inform you as soon as we are aware of that and inform the other parties to the case as new information arises.

That concludes our presentation on the Issues Report. If there's any additional questions Staff would be happy to answer those.

COMMISSIONER SHARPLESS: Commissioner Laurie?

COMMISSIONER LAURIE: (Nodded).

COMMISSIONER SHARPLESS: Okay. I'd like to ask the Applicant at this point if there is anything that they would

like to bring up.

MR. THOMPSON: Thank you. I think we recognize these issues, we've seen the Staff report. We believe that some of these issues are substantive in nature and some of them are timing in nature. Many of the issues that we face are because we are in a new deregulated world where we have quasi-governmental institutions in an economy where power plants are going to be built where the risk is on the developer and the energy is going to be sold into the market dependant on price that are brand new to us as well as new to the Commission, and certainly, I suspect, new to you out there in the audience.

The Applicant is committed to responding to questions on a timely manner and the submission of material to the Commission in a timely manner. We are conducting studies and reports. Last night we got off the phone at ten o'clock where I think we completed the final draft of material that's going into the Commission tomorrow. I don't know how thick it is but it is probably in excess of two or three inches of paper.

We fully anticipate that we will be able to resolve the issues, both the timing and substantive, to fit in with the Commission's schedule. And would welcome -- Again, would welcome public input, public questions, areas of inquiry as this is an open process and we believe that's the best way to

get to a good final result.

COMMISSIONER SHARPLESS: Thank you. Also, I guess, the Intervenor. Do you have any comments at this point?

MS. REYNOLDS: No.

COMMISSIONER SHARPLESS: Okay. Do we have any public comment at this point? Yes, sir, come forward and identify yourself.

MR. KENSON: Larry Kenson, 15814 Fresno Street.

As the Applicant was going over the process he indicated there would be no, there would be zero discharge but yet on the other hand there would be some addition to the landfill. What would you be taking up there?

MR. WOLFINGER: Basically, what goes in to the landfill is the minerals that are present in the water as they're used and then what happens is is we evaporate it and you get the minerals that are left. Basically what it is, it's water. It's the minerals that are suspended in the water. It's what's left as a residue after we've reused all the water and that's what is taken to the landfill.

MR. KENSON: And you just fry it and it becomes a bale or a --

MR. WOLFINGER: Well, it looks like very fine dirt is what it comes out as. It's called a crystallizer and it comes out in that manner.

MR. KENSON: Being a long time resident of

California, my family has been here for over a hundred years, in the desert we're a little bit concerned with water. Five to six hundred acre/feet and you're planning on buying that in Northern California and running it down the ditch, sticking it in at Rock Springs Road and taking it out over here; is that --

MR. WOLFINGER: I believe it's not going to go into Rock Springs, it's going to go actually in -- It's going to stay in the pipe. It's never -- I think Rock Springs, is that a T in the line?

MR. KENSON: That's where they dump in.

MR. WOLFINGER: No, we're not going to dump the water in.

MR. KENSON: You're going to take it out of the ditch --

MR. WOLFINGER: We're actually going to take it, literally take it in the pipe and deliver it directly to the project, it's never going to go in the ground except when we want to fill out the aquifer.

MR. KENSON: Okay. When you say *put it in the pipe* what you're talking about is sticking a siphon over the ditch, taking it out, sticking it in your pipeline, taking it down to --

MR. WOLFINGER: I guess I -- There is a fellow here from Mojave Water. I don't know if Norm Collette wants to

talk about how this actually works but I'm really not the person to get -- I know it gets here but I'm not, I'm just not --

MR. KENSON: I'm getting to a fine question.

MR. WOLFINGER: Okay. Maybe Andy, do you know the answer to that?

MR. WELCH: Yes, we're going to be taking a T off of the Mojave River Pipeline that's under construction now.

MR. KENSON: The one that's --

MR. WELCH: Just taking it from the aqueduct and going down to the lower basin.

MR. KENSON: I believe that state law requires that that water be treated prior to, in the near future, be treated before it's dumped into Rock Springs. What you're talking about is --

MR. WELCH: We're talking about using the aqueduct quality water directly into our plant. So we're not going -- When we take it off of the pipeline --

MR. KENSON: Doesn't yours have to be treated?

MR. WELCH: No, we have no treatment requirements.

MR. KENSON: Just take the aqueduct water and burn it?

MR. WELCH: Well, we put it through a cooling tower.

MR. KENSON: Okay.

MR. WELCH: We do have a -- For our steam cycle we do have a certain amount of treatment but we have to treat potable water for that because basically we would have to demineralize it completely. But that's just a small portion of our water use.

MR. KENSON: Since you've indicated that the water that you're going to be using is coming out of the pipe that's going to Barstow, I believe that that's the --

MR. WELCH: Yes.

MR. KENSON: You're going to be buying from the MWA or you're going to be buying from Northern California surplus water companies up there, sticking it in the ditch, paying the transfer and taking it out down here. Is that what you're saying?

MR. WELCH: Yes, most likely either through the MWA or buying it from the MWA and letting them do that.

MR. KENSON: I have some real concerns about 500 acre/feet of water --

MR. WOLFINGER: It's 5,000, by the way. It's not 500, it's 5,000 acre/feet.

MR. KENSON: Well, I've been listening to various figures. Mr. Cox a while back gave me a figure and it was 500.

MR. WOLFINGER: It is 5,000 so we ought to get -- If the number is going to be high it might as well be the

high number that we're really talking about here. So it's 5,000.

MR. KENSON: I'm glad that came out. Being extremely pro-growth like I am, that's 5,000 houses, you know. And 5,000 houses, that's 5,000 new residents. But on the other hand you put it in industrial use, you're probably talking 500,000 jobs that could be in this area and you're going to be selling the power wherever you can. I don't know where you're going to find 5,000 acre/feet. I don't think the MWA has that kind of adjudication process or have purchased that but I stopped following them years ago.

The other thing. When you were -- Being a pilot and having a little bit of knowledge about flying, you were talking about steam being generated in cold weather. Have you --

MR. WELCH: Yes, a plume.

MR. WOLFINGER: A plume.

MR. WELCH: A visible plume.

MR. KENSON: Have you talked to the FAA about that? What amounts you're going to be generating here.

MR. WELCH: We've submitted to them and we've looked at it and we analyzed. There's a pretty detailed model where you determine how much and then the frequency and the location that the plumes will come out. We analyzed that for the area on the runway and above it and anticipated that

it would be about one hour per year that the plume --

MR. KENSON: You could have a -- You could have a runway shut. Two, three could be shut down VFR for an hour a year?

MR. WELCH: Yes.

MR. KENSON: I don't quite buy that.

MR. WELCH: That's what the study shows. It's not a considerable amount of plume. Plumes are really dependant largely on relative humidity, the more frequent areas of high humidity, and this being a desert is not one of those areas.

MR. KENSON: Since day one I've been the guy that's been supportive of that airport being used for student training. We're going to lose our -- We have lost the military as far as airline transport pilots. Pretty soon -- You guys think that air rates are high, you're going to be paying doctors' wages for pilots pretty soon because there's not going to be any of them. But any time that you have a loss out there you're putting a kid in danger coming in a solo flight and he can't land. I don't care if it's ten minutes it's a bad project. Thank you.

COMMISSIONER SHARPLESS: Thank you, sir. Any other public comment at this time? I know that Sally Jordan has filled out a card but there is yet another opportunity to comment so if she wants to stay until the end that's fine.

MS. JORDAN: When is the end?

COMMISSIONER SHARPLESS: Coming quickly, coming quickly. At least for this meeting; the end is far, far away otherwise.

SCHEDULING ITEMS

I'd like to get a little bit of feedback specifically about the scheduling items from the parties because we are going to need to put a document out toward the end of this month. We faxed this to the parties and I'd like to ask them at this point if they have any revisions or comments. Did you not have an opportunity, maybe, to review it? If not --

MR. THOMPSON: I'm afraid that it was probably faxed yesterday and none of us were in the office yesterday.

COMMISSIONER SHARPLESS: Okay.

MR. THOMPSON: They're probably sitting on our desks. We just got it --

HEARING OFFICER VALKOSKY: It was actually faxed Tuesday.

MS. SHAPIRO: But you don't have it.

COMMISSIONER SHARPLESS: It's okay.

MR. THOMPSON: None of us --

COMMISSIONER SHARPLESS: You don't have it, so the bottom line is that, Stan, we have -- What we need to do is get your comments quickly so we can put this out by the end of the month.

MR. WOLFINGER: We'll do that.
MR. THOMPSON: We will do that.
COMMISSIONER SHARPLESS: So if you can get those comments back to us quickly, any revisions or additions or comments that you have.
MR. THOMPSON: We will.
COMMISSIONER SHARPLESS: We'd appreciate that.
MR. THOMPSON: We will do that.
COMMISSIONER SHARPLESS: Yes.
MS. REYNOLDS: Just on behalf of CURE, we're fine with the schedule as is.
COMMISSIONER SHARPLESS: Fine with the schedule.
HEARING OFFICER VALKOSKY: Thank you.
COMMISSIONER SHARPLESS: And Staff has had an opportunity to review it, do you have any comments, Staff?
MR. BUELL: We have no comments.
COMMISSIONER SHARPLESS: No comments. No additions?
MS. HOUGH: We're fine also.
COMMISSIONER SHARPLESS: You're fine also, okay. Glad to hear you're fine. Okay. There were two items that Staff brought up in their presentation that I'd like to pursue just a little bit further, the two policy items are the decommissioning issue and the project configuration issue. Both of these have an impact on the scope and the

complexity of this project. What I'm really looking for here is to just open up for a little bit more discussion by the parties as to the timing of these issues.

I think from the Committee's perspective the sooner that we deal with these issues the better. The further out that they are I think it's going to become more difficult for the Committee because we will be, we won't have narrowed our issues down and we'll continue to be on the broad avenue rather than on the more specific avenue where this project may end up. So if we could have a little discussion.

I don't know, Rick, if you have anything additional that you'd like to say about decommissioning and project configuration. What I could do if parties feel as though that they want to discuss this item but need a little bit more time to think about it we could ask the parties to put their ideas down and submit them in like a two week period.

MR. WOLFINGER: I guess we would request -- I don't think we really understand the decommissioning issue at all.

COMMISSIONER SHARPLESS: Okay.

MR. WOLFINGER: We've developed a lot of plants, we've had 26 plants, and that particular issue really has never come up before. I know Staff has mentioned it a couple of times but I don't understand the issue.

COMMISSIONER SHARPLESS: What we're driving at.

MR. WOLFINGER: Right. I don't --

COMMISSIONER SHARPLESS: What is expected of you, right? Rick, would you like to expound on that issue.

MR. BUELL: I will attempt to do so. Some of the issues -- I think that -- Things have changed. The Commission is undergoing a change as a result of restructuring and as I indicated earlier, we have dealt primarily with QF's, which are Qualified Facility Owners, which were allowed under the PUC's or the California Public Utilities Commission's regulations, which had some stake in maintaining operation at a guaranteed contract and so the decommissioning of those facilities was not as much of a concern as it may represent now.

We're concerned about merchant plants, basically, and the possibility that a merchant owner having failed to make a profit in the market may simply walk away from a power plant and leave environmental damage that is unaddressed otherwise. The issue that I guess Staff is prepared to do is to look at it by technical area by technical area and determine what conditions of certification we think should be imposed upon the Applicant now that might preclude that damage from being left unattended.

MR. WOLFINGER: How does the merchant plant differ from any other private enterprise, i.e., an office building, another factory, a chip manufacturer? How does that differ? How does how state laws, regulations, issues like this differ

than normal enterprise? I don't understand why all of a sudden you take a class of industry and do something when I don't know if that's done on other industries?

MS. HOUGH: I think one of the concerns, if anybody in this room has ever been involved in remediation and trying to determine who does what and who pays what. One of our goals is to try to avoid the necessity for that process ever happening at the tail end of any project that the Commission licenses. It's a big mess.

MR. WOLFINGER: Has it occurred in your business to the extent that it's necessary to make a policy of this or is this -- Clearly this has happened in industry several times yet we don't end up with a policy for all industries. I guess I'm just --

MS. HOUGH: I don't think we're talking about imposing a policy in this case.

MR. WOLFINGER: Okay. Okay.

MS. HOUGH: What Staff has said is that we plan to look at whether or not we recommend that the Commission need to do anything to address this issue in this case.

MR. WOLFINGER: Okay.

MS. HOUGH: In terms of what's happened in the past, I think Bob can talk about some of the cases that we have licensed in the past and issues that have come up relative to decommissioning.

MR. HAUSSLER: Yes, I'm Bob Haussler with the Commission Staff. What we're looking at for current siting cases is to request Staff and Applicant to work together in looking at specific features of the project where we can identify laws, ordinances, regulations and standards that we both need to be aware of. At any given point in time in the future if project closure occurs those need to be acted upon. Together we can identify those features which should be conditioned at the time of licensing.

We do intend to have a specific closure section in our analysis for this and future projects. We are working on a number of past projects we've licensed where we're going through a closure process and it's become clear to us that we need to more formally acknowledge that some action may be necessary. We aren't sure exactly what those might be because it's a project by project basis based on the location and type of project. But just so that, you know, you can plan ahead as well as those that closure could affect, the local, state and federal agencies, that we acknowledge the closure aspects of the facility.

MR. WOLFINGER: Okay, thank you. Thank you.

COMMISSIONER SHARPLESS: I am wondering if it would be helpful to both us and the Applicant to have perhaps Staff put together what they see as the issues involving decommissioning and provide it to the Applicant so the

Applicant would have an opportunity to look at it and comment. Mr. Buell, do you have any reaction to that?

MR. BUELL: I don't think Staff would oppose doing that, I think it would be a question of timing. We had envisioned doing such I think in the PSA. We could do it sooner, although --

COMMISSIONER LAURIE: Commissioner Sharpless, let me note that the Facility Siting Committee --

COMMISSIONER SHARPLESS: Of which you are head.

COMMISSIONER LAURIE: That's correct. Is undergoing a rule-making, will be undergoing a rule-making dealing with any potential modifications to our permitting procedures. Part of that will include closure/ decommissioning rules because it is not fair to applicants that decisions be made on a case by case basis without them having an understanding beforehand as to what expectations might be. So the timing of that rule-making hearing procedure is imminent I would say. It is something that will be occurring in the near future.

It is my expectation, and I'll certainly be discussing this with Staff, that this project is certainly not going to be held up because of that rule-making procedure. Rather, it is hoped that policy issues can be determined in time to allow those Commission-approved polices be applied to this project rather than having this project

subject to policies that are not as yet enacted but nevertheless applied to this project.

COMMISSIONER SHARPLESS: Okay. Well, what we have here is a timing issue. Obviously, the Staff brought it up in their Issue Identification Report as a policy issue. They can deal with it in the Preliminary Staff Assessment or we can try to deal with it ahead of time. What is at issue here is would it be better to deal with it ahead of time or wait until the PSA? I don't have strong feelings on this, largely because I haven't dealt with it before so I don't have a good idea of what the Commission would run into and I was trying to get some feedback from the parties to help me come to some --

MS. HOUGH: Commissioner Sharpless.

COMMISSIONER SHARPLESS: -- come to some resolution on it. Yes.

MS. HOUGH: One other resource that may be useful if the Applicant is trying to understand what decommissioning has, what Staff is thinking about with respect to decommissioning is to read either prior Final Staff Assessments where decommissioning has been discussed, and I believe it's been discussed in all of our recent cases, and I believe it's also been discussed in previous Commission decisions. I think adopted Commission decisions have decommissioning and closure requirements in them.

So the Applicant can certainly look at both Staff's assessment and Commission decisions that discuss those specific issues for some guidance. Because I don't think that what we're proposing to do in this, in this instance is investigate anything, any new, anything that's new.

COMMISSIONER SHARPLESS: Well, that has them -- That sends them to the library. Do they want to go to the library or do we have an easier way to provide that information to them?

MS. HOUGH: Well, I think that Mr. Thompson already has some of the library. You know, I'd be happy to take suggestions from them but I think that the discussion of the kind that would be helpful for a basic understanding, which is what I understood Mr. Wolfinger to want, could be attained from reading through some of those discussions. They're both in Commission decisions and in Staff assessments.

MR. BUELL: At least in part. I think as Mr. Bob Haussler indicated earlier I think we're learning. Some of the more recent closure cases that are before us, and Staff may be in the process of refining what it thinks is important in terms of decommissioning.

MS. HOUGH: What we're dealing with right now, talking about current closure cases, we have closure plans coming before the Commission for projects that had one condition or no conditions or nothing ever said about

decommissioning and closure. In the more recent cases to come before the Commission both Staff and the Applicant as well as the Commission's Decision have addressed facility closure.

COMMISSIONER SHARPLESS: Okay. Well, I would like to know once the Applicant goes through and looks at the information if in fact it's too much of a moving target and they need more specificity to know what we might be requiring of them. And I take to heart what Commissioner Laurie says, we're certainly not going to impose upon them a rule-making that will go beyond the time frame of this project so we're going to have to sort this through and have some consistency on what our policies are for decommissioning. So if you find that you can't determine what that consistency is we're here to try to help you.

MR. WOLFINGER: Thank you.

MR. THOMPSON: Thank you.

COMMISSIONER SHARPLESS: Okay. On project configuration, that's another issue. I listened very carefully as the Applicant described the project and talked about the need for flexibility. Certainly I am sensitive to the fact that we are in a new world and that this is the first merchant plant. And I think we all entered into this with our eyes somewhat wide open knowing that things were going to be a little bit different. But we do have CEQA

requirements and we do have to issue permits based on a configuration and we'll need to have a configuration, I believe, before this process is over. If somebody has got a different view of that I'd like to know it.

And I think that as far as narrowing the issues, Staff, I don't know whether you feel as though that the project configuration does not have to be decided before the PSA, which stands for Preliminary Staff Assessment, or whether we should try to deal with that issue earlier in the process. Any comment on that?

MR. WOLFINGER: Commissioner Sharpless, it's our feeling that we do not want to pick a configuration even prior to you issuing the certificate for us to build a plant. We're not sure that by December of 1998 the market will be established enough to know what kind of a plant to build, and we're looking to have an ability to look at the CEQA process, look at all those issues, and that any of those three configurations meet an environmentally sound project that could be built.

And I draw the analogy to processes that this is done quite frequently, for an example, in a shopping center where somebody is not sure whether they're going to have two anchor stores or three anchor stores. They go on a broad basis to a large and they get an overall envelope and then they come in specifically in saying, my specific project at a

later date meets every one of those conditions that were put out.

And that's what I would plan to do. Is that when I have a definitive configuration that's going to be it that I would come back to the Commission, to the Staff, and show how my project has met every one of them. The emissions are no greater than the max that was allowed, the water usage is no greater, the land usage is no greater, the right-of-ways that I've asked for are no greater. That they would meet every one of the conditions that you've put on me but wouldn't necessarily say, it must be this configuration or that configuration. And that's how I see the process working.

COMMISSIONER SHARPLESS: Well, a power plant is different than a shopping center. Having been in air quality regulations for more than ten years I can tell you that they're treated differently under the regulations. So we do have an issue that I think we have to deal with. How we could deal with this at this point is to ask for Staff and the Applicant to address this issue to the Committee and allow us at least initially to see where you are and where those issues lead us.

I'm going to turn to Stan and say, Stan, do you believe that I ought to add anything to that request?

HEARING OFFICER VALKOSKY: Commissioner Sharpless, right now I think you've posed the request. I think the

parties are aware of the concern, which as I interpret it is whether we can in fact legally certify a plant along the lines the Applicant has indicated it would prefer its certification. And if we can legally, should we as a practical matter.

COMMISSIONER SHARPLESS: Do so.

HEARING OFFICER VALKOSKY: Do so, exactly. I think that frames your question. What I would suggest is that we could consider it and include it more precisely as part of the scheduling order.

COMMISSIONER SHARPLESS: Okay.

HEARING OFFICER VALKOSKY: Include that direction.

COMMISSIONER SHARPLESS: So we could lay out the issues so you would know precisely what it is we're talking about. Okay. The last point on this agenda was on how the Committee is going to stay on top and track the activities of this process. Obviously, we'll want to know what's going on, we'll want to know what the issues are, we'll want to know how well the issues are going to be addressed, we'll want to know when issues are coming to a head where there looks like there needs to be further deliberation.

We'll want to know about that so that when we come down to where we actually enter into the decision-making process as Staff showed it on the slide--according to this schedule the Committee would start its hearing, it would have

a prehearing conference in June and start its hearings in August--that both Commissioner Laurie and I have a very good idea of what this project is all about and what the issues are.

So the way we do that, there's a couple of options. One is written status reports, and I think Staff has already indicated that they're going to be giving us a written status report. What isn't shown in the scheduling item is perhaps sticking in a few Committee status conferences where we just bring the parties together and get a status and hear the issues. And I think we'd like to do that as well, don't you agree, Commissioner Laurie?

COMMISSIONER LAURIE: Thank you, Commissioner Sharpless, yes. Where would you be inclined to call those Committee meetings during the summertime to be held? And if so, does Victorville have a summer clothing policy that doesn't require Commissioners to wear neckties during the month of August?

MS. JORDAN: We have good cooling systems too.

COMMISSIONER SHARPLESS: Good cooling systems too.

COMMISSIONER LAURIE: And I only know that from having spent multiple summers in the beautiful city of El Centro where we have similar conditions. So would we expect to return here in the summertime or would you, would it be your normal practice to hold the hearings in Sacramento? And

I ask that question for the audience information. I'm happy to come back and I would be delighted to do so but what would normally be the Committee's intention?

COMMISSIONER SHARPLESS: Well, since you're part of the Committee this is something we could discuss, Commissioner Laurie.

COMMISSIONER LAURIE: Fine.

COMMISSIONER SHARPLESS: But it would seem to me that in some cases it might be up in Sacramento and depending on the issues it might be down here. We've heard some strong concerns about water and some of the other issues. Inasmuch as there are more people living down here than up in Sacramento that are impacted by this project we would have to see what those issues were and what made sense.

So I think that we'll attempt to keep on top of things in that way as well, although they don't appear currently on the schedule. Commissioner Laurie and I will look at the status reports and make a determination when perhaps the Committee would like to hold these status conferences. Just so we can keep on top of things and be fair and keep the process going.

CLOSING

Okay, that actually brings us to the closing and I'm just going to ask Staff if they have any closing comments, the Applicant if they have any closing comments,

the Intervenor if they have any closing comments and then the public.

MS. HOUGH: I have questions, actually. I want to make sure I understand what our directives are.

COMMISSIONER SHARPLESS: Okay.

MS. HOUGH: Unless Hearing Officer Valkosky is planning on issuing an order after this hearing.

HEARING OFFICER VALKOSKY: I am.

MS. HOUGH: You are.

HEARING OFFICER VALKOSKY: A scheduling order will include the concerns --

MS. HOUGH: Will it cover the three issues that you've asked the parties to address, which has to do with ISO jurisdiction, coordination, decommissioning and multiple configurations? Will your order address those issues specifically?

HEARING OFFICER VALKOSKY: I will certainly --

MS. HOUGH: Because if they do I don't have any more to say.

HEARING OFFICER VALKOSKY: I will certainly recommend to the Committee that the order does.

MS. HOUGH: Okay, then I'll wait for the order to get my questions answered, thank you.

COMMISSIONER SHARPLESS: Okay. How about the Applicant? Do you have any?

MR. WOLFINGER: No, we don't, thank you.

COMMISSIONER SHARPLESS: Okay, thank you. Our Intervenor, is she still here?

MS. REYNOLDS: We have no more comments.

COMMISSIONER SHARPLESS: No comments. Then, Ms. Jordan, you are sailing into the process.

MS. JORDAN: My husband says, oh, you're going to talk. Welcome to the High Desert, and yes, you can wear shorts and sandals and no tie.

COMMISSIONER LAURIE: Thank you.

MS. JORDAN: We all like to look at somebody's good legs.

COMMISSIONER LAURIE: All right. We'll see if we can accommodate, thank you.

MS. JORDAN: As a resident of the High Desert for almost 45 years and on this earth for closer to 100 years than I'd care to think about, I don't have too many questions right now, I have a couple of comments. And for Commissioner Laurie, you were asking earlier about amounts of water, okay. Now, they're going to use 5300 or 5,300, however we want to say it, acre/feet a year maximum. One acre/foot of water is 43,560 cubic feet or 325,850 gallons. One acre/foot of water supplies a family of four for a year, so times 5300, okay.

The Mojave Water Agency, as a taxpayer, was formed basically to recharge our basin. And then later on as water

master because of adjudication, to see that everybody gets adequate water and hopefully at a reasonable price. Now there are three taxes on the property tax bill that go to the Mojave Water Agency. So I'm not against business but you're really going to have to sweet-talk me for my three set of taxes to pay for a transmission line to be brought to your building for you to make money on. Because as you've said, if you don't make money you don't operate.

And the word decommission scares me to death. This valley is still going through effects from the decommission of George Air Force Base. Although the gentleman says they have only 20 employees, again, if it got decommissioned in eight years, ten years, and I kind of think maybe in five years but that's my opinion, then we're going to have some more land that has to be rehandled, buildings, and now towers, metal towers. So it's a thought.

(Thereupon, tape 2 was changed to tape 3.)

As a citizen of the valley, and like I say, we've lived here a long time. We're not against business but please think of those issues, and the water is a real important issue. We are in a desert; all of Southern California is a desert. Thank you for your time.

COMMISSIONER LAURIE: Thank you.

COMMISSIONER SHARPLESS: Stan.

HEARING OFFICER VALKOSKY: I have one question for Allan.

COMMISSIONER SHARPLESS: Okay, one question from Stan.

HEARING OFFICER VALKOSKY: Thanks. Allan, you do have a copy of that draft schedule that --

MR. THOMPSON: Yes.

HEARING OFFICER VALKOSKY: -- the Commissioner referred to before? Can you --

MR. THOMPSON: I knew I had it here somewhere.

HEARING OFFICER VALKOSKY: Can you let me know of any changes, additions, inaccuracies, modifications, etcetera tomorrow or do you need until Monday? Either way is fine.

MR. THOMPSON: I can do it tomorrow.

HEARING OFFICER VALKOSKY: Okay, great, if you could, please.

COMMISSIONER SHARPLESS: Okay. I want to thank all of you for coming and participating and showing and interest in the process. As Staff has indicated it is very important for the Commission to hear from you, the community, the impacts that are going to be on your community and on the state at large. We certainly appreciate the Applicant's presentation and the thoroughness in which they covered the points. A schedule will be coming out, you'll see the preliminary document toward the end of the -- by the end of

the month. That will indicate how the rest of the process is going to proceed.

So we will keep you informed. You've got telephone numbers, you've got names, you've got webs, you've got Internets, you've got information highways and you can find your way to us. So I want to thank you, Victorville, for your fine hospitality and for allowing us to get out of the rain. Our next stop is going to be at the project site. There's transportation being provided and I think we're going to leave after adjournment; correct?

MR. THOMPSON: Right.

COMMISSIONER SHARPLESS: How long will it take, do you think?

MR. WOLFINGER: One hour.

COMMISSIONER SHARPLESS: One hour.

MR. WOLFINGER: One hour total. We have a bus.

COMMISSIONER SHARPLESS: A bus and one hour. Okay, thank you very much, we are adjourned.

(Thereupon the hearing was concluded at 1:10 p.m.)

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CERTIFICATE OF TRANSCRIPT

I, Ramona Cota, as the Official Transcriber, hereby certify that the attached proceedings before Commissioner Sharpless, California Energy Commission,

In the Matter of:	)	Docket No. 97-AFC-1
	)	
Application for Certification for the High Desert Power Project	)	
	)	

were held as herein appears and that this is the original transcript thereof and that the statements that appear in this transcript were transcribed by me to the best of my ability.

I further certify that this transcript is a true, complete, and accurate record of the proceeding.

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Ramona Cota
January 24, 1998
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